

Chain Store Age **EXECUTIVE**

with Shopping Center Age

The newsmagazine for retail management

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BRITISH RETAILING: CHANGING OF THE GUARD

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BRITISH RETAIL: CHANGING OF THE GUARD

Led by entrepreneurs such as George Davies, founder and president of Next PLC, the British retailing industry is in the midst of a revolution. New players, growing rapidly through acquisitions as well as expansion, are threatening to take market share away from more established retailers. 25



1986 BIG BUILDERS INVEST IN DIVERSIFICATION

Wal-Mart tops this year's list of the retail industry's top 25 builders, ranked in terms of gross square footage to be added before year-end. 15

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SHOPPING CENTER AGE



DEVELOPERS TUNE IN TO TENANTS' NEEDS WITH SEMINARS

Role playing is one of the methods developers are using to help their retail tenants become better, more productive merchants. The question, though, is whether or not retailers are receptive to the programs being offered and what mall managers can do to increase their participation. . 53

1986 BIG BUILDERS DIVERSIFY, EXPAND

WAL-MART HEADS THIS YEAR'S LIST IN ADDED SPACE, SAFEWAY IS TOP SPENDER

Adhering to a philosophy of building its market presence through diversification, as well as through expansion of its core business, Wal-Mart is the No. 1 Big Builder of 1986 in terms of square footage added.

The Big Builders Survey, conducted annually by *Chain Store Age Executive*, ranks the nation's top retailers by the amount of gross square footage to be added in the current year, as well as by the amount of capital expenditures being invested.

Wal-Mart, by continuing to beef up its presence in the wholesale club and discount drug areas, will boost its gross square footage more than any other U.S. chain, increasing its retail space by 11,900,000 sq. ft. (The chain takes over the top spot from Ames Department Stores, which last year earned the No. 1 rank due to its purchase of G. C. Murphy, but whose 1986 growth did not peg it among this year's biggest builders.)

While some of the change at Wal-Mart is due to the construction of 115 new discount units to be opened by year-end, the firm also worked its way up the Big Builders' ranks (it was No. 3 in terms of gross square footage added) by erecting 26 Sam's Wholesale Club stores and three Dot Discount drug outlets, compared with 1985 when it added only 12 Sam's and one Dot, resulting in 9,354,000 sq. ft.

of new space.

To finance this growth, Wal-Mart's 1986 capital expenditures total \$380 million, up only slightly from \$350 million spent last year. This makes Wal-Mart the fifth largest Big Builder in terms of capital expenditures, up from last year's No. 10 spot.

The retailer planning to invest most in capital expenditures this year is Safeway, up from the No. 2 spot last year. Current plans call for the company to spend a total of \$660 million, up from \$621.8 million spent in 1985. This will go toward adding a total of 2,320,000 gross sq. ft., down considerably from the approximately 3,700,000 sq. ft. added last year. (All plans, however, are tentative because Safeway is now going through a leveraged buy-out).

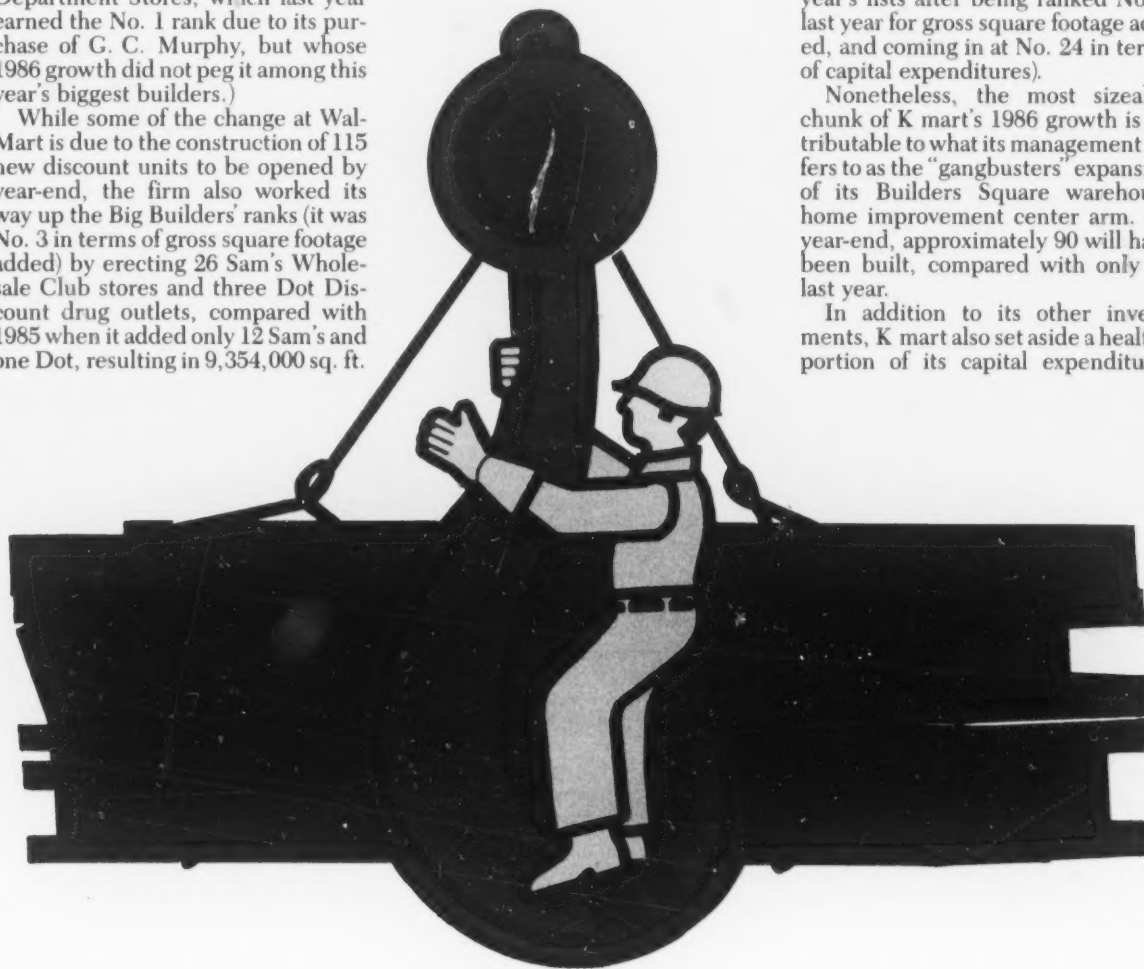
K mart, last year the industry's largest capital expenditures spender, is now No. 2, planning to spend \$575 million this year, down from the \$717 million invested last year.

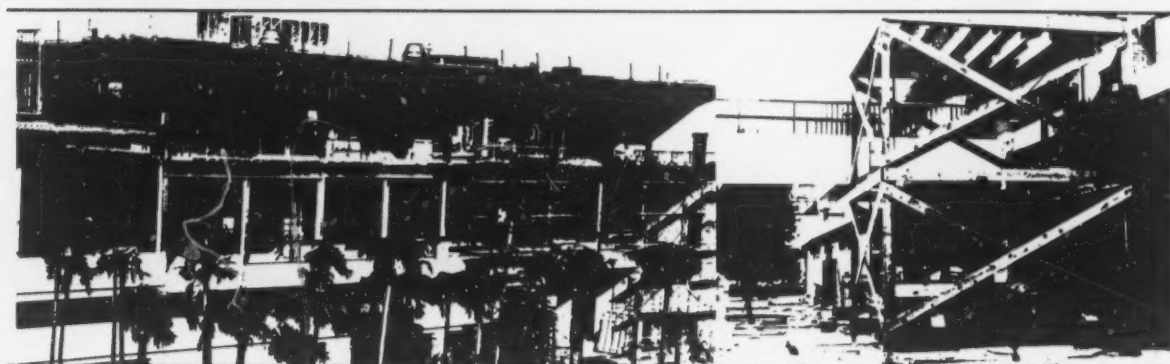
As in the case of Wal-Mart, diversification is also accounting for a whopping share of K mart's square-footage growth—again holding onto the No. 2 spot in the ranking of the industry's biggest builders. This year, it is expanding by a total of 9,397,000 sq. ft., a substantial increase over last year's 3,142,000-sq.-ft. addition.

Included in the added square footage are the construction of 32 K mart discount stores and the acquisition of 16 Mr. HOW warehouses (12 existing units and four under construction) purchased from Service Merchandise. (Service, in turn, fell off of this year's lists after being ranked No. 4 last year for gross square footage added, and coming in at No. 24 in terms of capital expenditures).

Nonetheless, the most sizeable chunk of K mart's 1986 growth is attributable to what its management refers to as the "gangbusters" expansion of its Builders Square warehouse home improvement center arm. By year-end, approximately 90 will have been built, compared with only 15 last year.

In addition to its other investments, K mart also set aside a healthy portion of its capital expenditures





budget for a 1,025,000-sq.-ft. expansion of PayLess Drug Stores Northwest, the drug store operation it purchased in mid-1985. Forty-one PayLess outlets are being erected in 1986, up from 30 units in 1985.

Diversification is likewise playing a significant role in driving the construction activity of several other Big Builders.

While 1,800,000 sq. ft. of the 4,969,000 sq. ft. of space to be added by No. 4 player Zayre Corp. will be occupied by 25 new Zayre discount stores, 1,500,000 gross sq. ft. have been allocated for the construction of 15 Home Club home center warehouses. This year Zayre also intends to open a total of 25 T. J. Maxx stores, between 35 and 40 Hit or Miss stores, and seven BJ's Wholesale Clubs. To conduct this aggressive construction program, Zayre has upped its capital expenditures to \$200 million, from 1985's \$68 million.

Even such companies as J. C. Penney, considered primarily a department store retailer, (ranked No. 6 by gross square footage to be added this year), is spending a large part of its capital expenditures budget to expand other areas. Specifically, while in 1985 Penney erected seven drug stores, this year it plans 25.

By year-end the company also expects to have constructed 20 full-line department stores as well as 27 more limited-range stores in smaller market areas.

This year, Penney's level of capital expenditures remains the same as in 1985 at \$426 million.

Another prime example of the emphasis on diversification is found at May Department Stores. In this case,

the company's move from the No. 16 position on last year's gross square footage chart to No. 9 this year stems largely from its investment in growing its shoe retailing business. (Changes in space operated by May as a result of its acquisition of Associated Dry Goods are not reflected in the fig-

department stores and four Venture discount outlets.

May has earmarked \$375 million for this year's capital expenditures, up from \$293 million last year.

Other examples of investment being made in "new" retail formats, are found among the specialty store conglomerates.

Perhaps the most notable is F. W. Woolworth. Working to expand the 15 specialty retailing concepts it now has established, the company will be adding approximately 1,350,000 gross sq. ft. of space by year-end, a move that places it at No. 19 on the 1986 gross square footage rankings.

In order to execute this construction program, the chain has allocated \$225 million for capital expenditures for 1986, a significant jump over the \$152 million of last year.

At the same time, Melville Corp., which again occupies the No. 12 spot ranked by gross square footage additions, reports that it is presently "evaluating new areas of opportunity to serve large segments of customers" in "categories of merchandise specialization" it has not previously explored.

By year-end, the chain intends to have opened an additional 1,987,000 sq. ft. of selling area. Capital expenditures are planned to reach approximately \$115 million, a slight increase over last year's \$101.5 million figure.

Yet another specialty store Big Builder, U.S. Shoe Corp. (which has increased its base of operations from nine retail divisions six years ago to a current total of 16) has earmarked \$123.6 million toward rapid growth of all its formats. (In 1985, the chain allo-

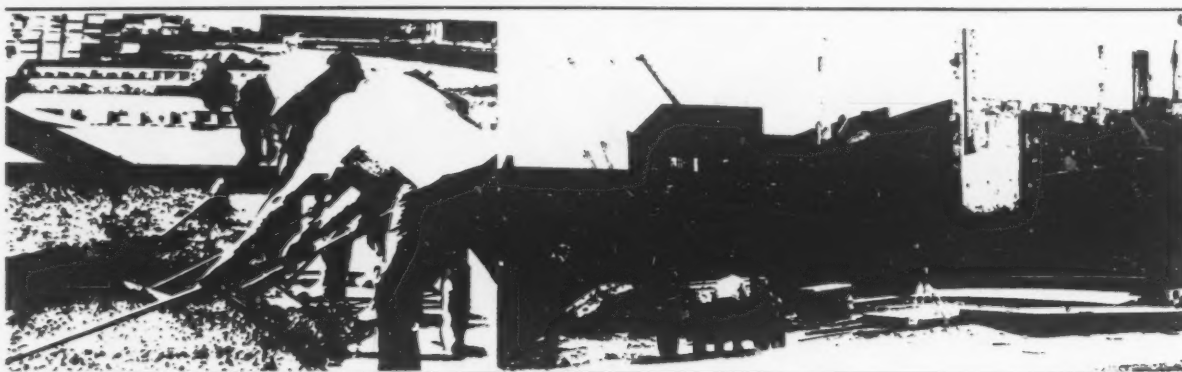
Capital Expenditures

	1986 (000)	1985 (000)
1. Safeway	\$660,000	\$621,800
2. K mart	575,000	717,000
3. Dayton Hudson	525,000	422,000
4. J. C. Penney	426,000	426,000
5. Wal-Mart	380,000	350,000
6. May Department Stores	375,000 ¹	293,000
7. Federated Department Stores	364,000	380,000
8. Kroger	300,000	362,400
9. Lucky Stores	300,000	270,000
10. American Stores	280,000	203,000
11. F. W. Woolworth	225,000	152,000
12. Associated Dry Goods	200,000 ²	166,700
12. Supermarkets General	200,000	121,000
12. Toys "R" Us	200,000	200,000
12. Zayre	200,000	168,200
16. The Limited	175,000	195,000
16. Winn Dixie	175,000	179,446
18. Albertsons	160,000	120,000
19. Stop & Shop	150,000	149,000
20. U.S. Shoe	123,600	78,700
21. Walgreens	100,000	120,000
21. Carter Hawley Hale	100,000	127,400
23. Melville Corp.	115,000	101,500
24. Pace Membership Warehouse Clubs	112,000	100,000
25. A&P	110,000	115,000

¹Does not reflect Associated Dry Goods acquisition; includes 150-200 unit acquisition from SCOA Industries to open as Payless ShoeSource units
²Does not reflect Associated Dry Goods/May Department Stores merger
 Source: Chain data and Chain Store Age Executive estimates

ures appearing in either of the Big Builders rankings.) The company reports that this year it is opening 150 new Volume Shoe units, most operating under the name Payless ShoeSource, accounting for 1,250,000 gross sq. ft. of added space.

The remainder of the new space has been apportioned for seven May



cated only \$78.7 million for construction and, as a result, did not appear on last year's capital expenditures chart.)

This year, U. S. Shoe is in the midst of establishing Sophisticated Woman, a three-unit ladies' apparel chain. At the same time, it is enlarging its Casual Corner subsidiary by 54 units; Applause by five units; Career Image by 37 units; Ups 'N Downs by 84 units; August Max, by 22 units; Caren Charles, by 41 units; Petite Sophisticate by 43 units; J. Riggings by four units and LensCrafters by 90.

While specialty store growth is obvious among the majority of the Big Builders, companies specializing in the supermarket and/or drug store re-

tail classifications are also well represented. The chief impetus for most of their construction is a desire to build larger-sized outlets than ever before.

One example of this trend is Winn-Dixie, which ranks No. 15 on the gross square footage chart (1.7 million sq. ft.) and No. 16 in terms of capital expenditures (approximately \$175 billion). Of the 100 new units recently completed by the chain, almost all are either "conventional" supermarkets averaging 30,000 sq. ft. in size or combination food/drug stores, averaging 45,000 sq. ft.

Also among the stores to be opened by Winn-Dixie before year-end are four superwarehouse stores which

will range in size from 45,000 sq. ft. to 73,000 sq. ft.

Similarly, Supermarkets General, No. 12 on the capital expenditures chart with a \$200 million budget, opened its first 58,000-sq.-ft. Pathmark Super Center late last year. At year-end, it will have added two to three similarly-sized Super Centers and converted at least one of its conventional units to the larger format.

In the chain's Purity Supreme division, six new 50,000-sq.-ft. superstores will be on-line by the end of December, up from one such unit constructed in 1985. Two existing Purity Supreme branches will also become superstores this year.

Further contributing to Purity Supreme's growth is the company's acquisition of 18 Angelo's supermarkets in the South Shore and Cape Cod areas of Massachusetts; these stores are now being operated as Purity Supreme units.

Supermarkets General itself plans to have six new deep discount drug units, three to five of which are expected to be Pathmark Super Drug stores, plus six new Rickel home centers in operation by the end of this year. (The Rickel "super" prototype, unveiled in 1984, is a 50,000-sq.-ft. unit.)

Meanwhile, Albertsons, which for the most part is building only super stores (44,000 sq. ft.) and combination food/drug outlets (60,000 sq. ft.) anticipates opening 23 to 25 new units in 1986. Of this number, 67% will measure over 35,000 sq. ft.

Aside from a 1,100,000-sq.-ft. expansion, Albertsons' \$160 million capital expenditures plan calls for the continuation of its remodeling program. Ninety percent of all units the company has built within the past 12 years are either new outlets or have been completely renovated.

The Big Builders are clearly growing bigger than ever before.

Gross square footage added

	1986	1985
1. Wal-Mart	11,900,000	9,354,000
2. K mart	9,379,000 ¹	3,142,000
3. Dayton Hudson	4,983,479	3,466,530
4. Zayre	4,969,000	6,704,500 ²
5. Kroger	4,514,000 ³	3,046,000
6. J. C. Penney	4,107,500	2,950,000
7. Dillards	2,951,000 ⁴	1,108,000
8. A&P	2,588,000	2,335,000
9. May Department Stores	2,500,000	1,733,000 ⁵
10. Safeway	2,320,000	3,700,000
11. Toys "R" Us	2,130,000	2,300,000
12. Melville	1,979,000	2,030,000
13. Associated Dry Goods	1,790,000 ⁶	1,219,000
14. Walgreens	1,740,000 ⁷	900,000
15. Winn Dixie	1,700,000	1,700,000
16. American Stores	1,600,000	N/A
17. Lucky Stores	1,517,000	988,000
18. Home Depot	1,400,000	1,840,000
19. F. W. Woolworth	1,350,000	896,500
20. Albertsons	1,100,000	1,100,000
20. Stop & Shop	1,100,000	1,100,000
22. Federated Department Stores	1,092,000	2,909,000
23. Revco	929,500	1,546,000
24. U.S. Shoe Corp.	914,700	N/A
25. Pace Membership Warehouse Clubs	900,000	1,000,000

¹Includes acquisition of 12 Mr. HOW warehouses and four unopened units

²Includes acquisition of Gaylord's and Home Club

³As of press time, Kroger had announced it would be selling its Hook Drug division. However, it was unclear whether this would be accomplished by year-end. Therefore, expenditures for Hook are included here

⁴Includes acquisition of 11 Macy's Midwest units

⁵Does not reflect Associated Dry Goods acquisition; includes acquisition of 150 units from SCOA Industries to be opened as Payless ShoeSource outlets

⁶Does not reflect Associated Dry Goods/May merger

⁷Includes acquisition of 86 Medi-Mart drug stores

Source: Chain data and Chain Store Age Executive estimates

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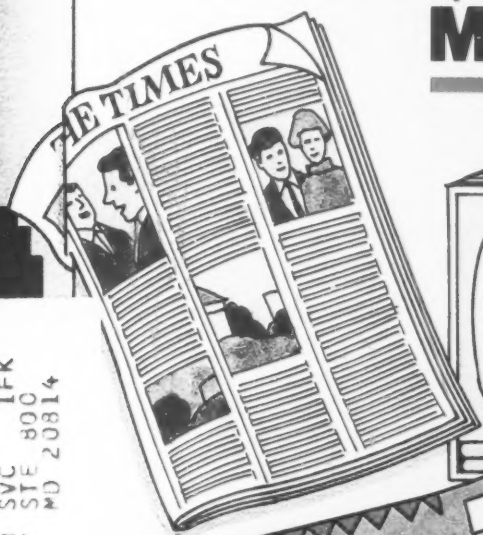
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Advertising:
Breaking the Creative
Boundaries

Retail Advertising & Promotion: A \$19 Billion Message



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KEVIN KENDRICK
CONGRESSIONAL INFO
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SVC
STE 800
MD 20814

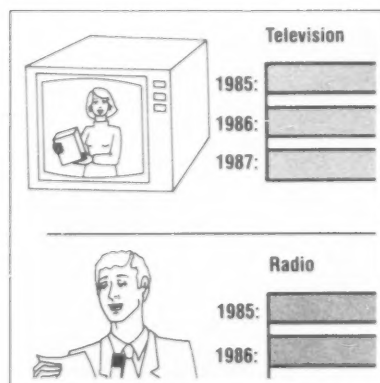
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FORGING THE CRITICAL LINK

There's no doubt about it. Throughout the industry, retailers are becoming more creative in their use of various media for advertising and promotion purposes. In the process, they are spending more than \$19 billion annually to forge a link between their stores and their present and potential customers. . . . 11



RESEARCH STUDY CONFIRMS HIGHER AD BUDGETS

The majority of participants in *Chain Store Age Executive's* study report raising advertising budgets this year; 58% will up them more in 1987. 12

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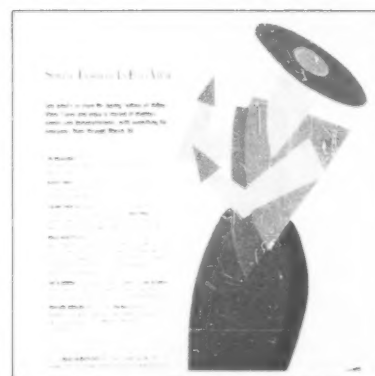
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SHOPPING CENTER AGE



CENTER DEVELOPERS EXTEND CREATIVITY TO THE MAXI

Marketing directors are becoming more creative in both the planning and the execution of advertising and promotion programs aimed at building more traffic in their centers. With its Maxi Awards program, the International Council of Shopping Centers honors their efforts. 35

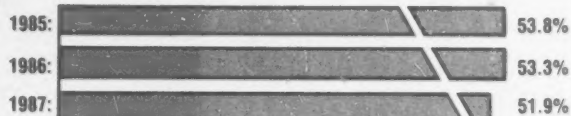
RESEARCH STUDY: CHAINS' AD BUDGETS ARE UP

EXPENDITURES INCREASED THIS YEAR, REPORT 69% OF RETAILERS INTERVIEWED

Retail advertising budget apportionment



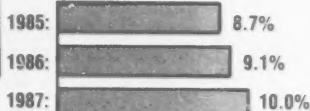
Newspapers & magazines



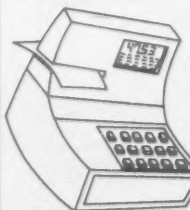
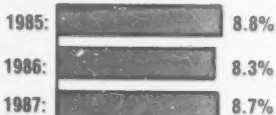
Direct mail



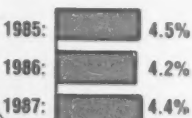
Television



Radio



Point-of-purchase/in-store



Other (billboards and circulars)



Source: Chain Store Age Executive research

Despite continuing efforts to keep other operating costs down, retailers certainly aren't stinting when it comes to spending money to reach both current and potential customers. In fact, 69% of the retailers who participated in a recent study conducted by *Chain Store Age Executive* report increases in this year's advertising budgets; 58% expect to spend even more on advertising and promotion in 1987.

The overall purpose of this study is to examine retailers' consumer advertising plans, including budget allotments and media mix. Reasons behind the advertising strategies were also sought.

Companies representing the following retail classifications are included in this study: apparel specialty stores; department stores; discount stores; drug stores; home centers; and supermarkets. The specific areas of inquiry include the following:

- Percentage of total dollar sales volume spent and/or expected to spend on consumer advertising, fiscal 1985, 1986 and 1987;
- Changes, if any, in actual dollars spent on consumer advertising during the years studied;
- Reasons for changes;
- Percentage of total consumer advertising dollars spent and/or expected to spend on specified media, fiscal 1985, 1986 and 1987.

According to the study, department stores spend the largest percentage of their total dollar sales volume on advertising of any of the retail classifications studied, remaining at 3.5% of sales for each of the years included in this survey. One of the major reasons behind department stores' willingness to make this large a marketing expense allotment is the fiercely competitive nature of their business; they have to compete not only against each other but also against extremely aggressive specialty store competition.

However, other retailers also appear to be feeling an increased need to spend more on advertising and promotion of their stores. According to the survey, for instance, respondents from every other retail classification (with the exception of drug store retailers) expect to spend a larger percentage of their sales dollars on advertising next year. The reasoning?

It's necessary to spend more money to make more money.

Discount stores plan to spend 2.9% of sales on advertising next year. Apparel retailers, 2.6%—the same percentage reported by home center chains. Supermarkets expect to be spending only 1.3% of sales, but obviously they are operating from a substantially larger sales base to begin with (based on the high volumes often done by a single unit). They are therefore managing to buy substantial advertising coverage for their chains.

The only area of retailing where the percentage of sales going toward advertising is not increasing—among drug store retailers, according to the survey. While the drug chain respondents report spending 2% of sales this year on advertising, they expect this to slide back to 1.8% next year. One possible explanation is related to the large amount of consolidation taking place among these chains. When they consolidate, total sales volume goes up; advertising expenditures may rise more slowly. The result can translate to the slight overall percentage decline.

It's clear, though, that overall the retail industry recognizes the increasing importance of getting their messages out to the consumer. That fact is confirmed by the survey results that show 69% of the respondents increased their 1986 advertising expenditures from 1985's levels. They did so by an average amount of 7.2% in real dollars.

For those retailers upping their budgets this year, the major reason is a change in overall marketing strategy, according to 45% of the respondents. In addition, 33% also note that the opening of new stores in existing market areas is a major impetus. When retailers add these stores, they increase market presence; this in turn makes it both more efficient and more productive to up advertising and promotion expenditures.

Further, the opening of stores in a new market area is a major reason for upping the current year's budgets, according to 28% of the survey participants. The logic here is obvious: a retailer has to spend to let customers know that there's a new player in town. Likewise, when he invests in remodeling stores he wants to let the consumers know about it. That's why remodeling is cited by 26% of the survey respondents as a major reason for upping ad budgets. Also, when retailers see new competitors moving onto their turf they fight back; 24% report

investing more in advertising because of increased competition.

Other major reasons for increasing ad expenditures include: the desire to convey a new image to shoppers, cited by 14%; a more lenient attitude on the part of top management toward advertising, a major impetus for 10%; and a drop in market share, leading to budget increases for 6% of the respondents.

According to the *Chain Store Age Executive* survey, it appears that retailers' advertising and promotion in-

respondent chains spend the single largest portion of their consumer advertising budgets on newspaper and magazine advertising. However, when looking at the total survey group, while an average 53.8% of the advertising budgets was spent on newspapers and magazines in fiscal 1985, this is projected to drop slightly to 51.9% by fiscal 1987.

Direct mail ranks No. 2 in advertising dollars spent, with the budget percentage projected to have increased this year to an average 22.9%

Changing advertising budgets

	1986 % of chains reporting increase	Average % of increase	1987 % of chains reporting increase (over 1986)	Average % of increase
Total	69%	7.2%	58%	7.7%
Apparel	57	16.3	53	12.1
Department	80	3.2	60	4.0
Discount	60	6.6	50	5.2
Drug	80	7.7	50	6.7
Home Center	57	5.3	57	7.8
Supermarket	83	6.1	77	10.2

Source: Chain Store Age Executive research

vestment will be even higher next year. While a number of the survey participants had not yet finalized next year's budgets, 58% say that they are already planning to up their advertising investment further in 1987, expecting to do so by an average of 7.7%. (For detailed information on each retail category, see accompanying chart.)

Changes in overall marketing strategy and the opening of additional stores in existing market areas are both major causes for further upping advertising expenditures in 1987, according to the survey respondents. These causes are each cited by 40% of the participants. Likewise, 40% point to the creation of newly remodeled stores as a significant reason for investing more in advertising. This is followed by increased competition in their market areas, cited by 29%, and the opening by these retailers of stores in new market areas, an important consideration for 27%.

Other major reasons for upping budgets include: the desire to convey a new image of the chain to shoppers (12%), and a more lenient attitude on the part of top management toward advertising (8%). Nine percent of those expecting to spend more report that increases in media costs are a significant contributing factor.

As for where all of these advertising dollars are going, the majority of the

of the total advertising budget, up slightly from 22.4% in 1985. It is expected to remain at the higher level next year.

In the meantime, television remains a relatively distant third in the advertising budget allotments. However, while it accounted for only an average 8.7% of the total advertising dollars spent in 1985, it has climbed to an estimated 9.1% this year and is expected to increase further to 10% in 1987.

Radio follows TV in terms of the amount of budget allotted to it, at 8.8% in 1985, 8.3% this year, and a prediction of 8.7% in 1987. (Radio, however, is a far less expensive medium in terms of costs per airing.)

In-store point-of-purchase accounted for an average 4.5% of the respondents' advertising budgets in 1985, is estimated to have fallen to 4.2% this year, and is projected to rise slightly to 4.4% in 1987. (It is important to remember, though, that a great deal of point-of-purchase advertising is not paid for by the retailer but rather is made available through manufacturers' co-op programs.)

As retailers continue to rethink their marketing strategies and seek out new ways to compete in an increasingly overcrowded market, maximizing those growing advertising budgets will become an even higher priority. ■

WHAT'S FOUR-COLOR, B & W AND READ ALL OVER? NEWSPAPER ADVERTISING TAKES ON NEW IMPACT AS RETAILERS ADD COLOR

Abraham and Straus started experimenting with four color run-of-the-paper (ROP) advertisements a little over a year ago. It began running a regular four-color schedule as of April 1, 1986 when Long Island's *New York Newsday* made four-color available. Today it is also running schedules in *The Bergen Record* and the *Asbury Park Press*, both located in New Jersey.

A&S is just one of many retail chains that are beginning to run four-color advertisements ROP, rather than just utilizing color in newspaper inserts. The major benefit is that according to consumers, four-color ads practically jump off the page compared to black and white.

Taking advantage of this advantage of this benefit is now easier due to technological innovations in newspaper printing. As Tom Holliday, vp-chain store sales for the Newspaper Advertising Bureau (NAB), says, the availability of four-color helps to persuade more retailers to use newspaper advertising.

But no matter whether they run four-color or black and white advertising, retailers in the United States spend the largest single portion of their annual advertising budgets on newspapers (see story this issue).

According to figures from York City-based NAB, retailers spent \$13.4 billion on newspapers in 1985; a 6% increase to \$14.2 billion is projected for 1986.

Plus, in 1985 the amount of money spent by retailers in newspapers accounted for 53.4% of the total \$25.2 billion spent by all advertisers utilizing this medium.

Looking at spending by retail categories, for the first six months of this year, department stores were the largest newspaper advertisers, spending a total of \$1.4 billion. They were followed by food stores spending \$539.7 million; furniture stores, \$379 million; general merchandise stores, \$354.5 million; and television, radio and record stores, \$305.6 million, says the NAB.

Retail newspaper advertising expenditures* (in millions)		
	Expenditures	Change
1980	\$ 8,609	9.7%
1981	9,686	12.5
1982	10,390	7.3
1983	11,841	14.0
1984	12,784	8.0
1985	13,443	5.2
1986 (projected)	14,239	6.0

*Including production cost estimates
Source: Newspaper Advertising Bureau

Frank J. Savino, vp-marketing for *The Bergen Record*, offers further support for the NAB's contention that some of this growth is being fueled by the greater availability of color.

The Metropolitan New York area, he notes, has always been known as a black and white advertising market. However, recently *New York Newsday* and the *Newark Star Ledger*, in particular, have invested heavily in ROP color.

One of the leaders in persuading retailers of the desirability (and the availability) of four-color is *The Bergen Record*, says Savino. He contends that while a number of chains have been using four-color in their pre-print inserts for some time, *The Bergen Record* is possibly running the most ROP color of any newspaper in the greater metro area.

"We reduced our prices tremendously to get it [ROP color] off the ground back in 1982," he says. The retailers see definite results in color advertising. "It brings the ads to the readers' attention."

However, because he believes that most retailers still don't know how to use color, next year *The Bergen Record* will sponsor a color clinic to educate the retailers, says Savino.

Joel Canter, A&S's operating vp-advertising, reports that his company is already using color because "If you open the paper and find an ad in four-color in context with black and white ads, it makes an impact," he says. "It differentiates you from the competition. There is an enhancement of the merchandise."

He adds that reproduction is constantly getting better. The four-color reproduction in *The Bergen Record* is "fabulous," says Canter, and that newspaper is making four-color more "affordable." In *The Bergen Record*, four-color ads cost \$1,000 more per page than black and white, plus a premium for color, he says.

The department store chain is currently running two double trucks, or four pages, a month in *The Bergen Record* and the *Asbury Park Press*, where A&S has only a couple of stores, and double trucks every Thursday and Sunday in *New York Newsday* because the bulk of its stores are on Long Island. ■



DEPARTMENT STORES: SPENDING \$1.4 BILLION IN SIX MONTHS ON NEWSPAPER ADVERTISING

Chain Store Age **EXECUTIVE**

with Shopping Center Age

The newsmagazine for retail management

January 1987

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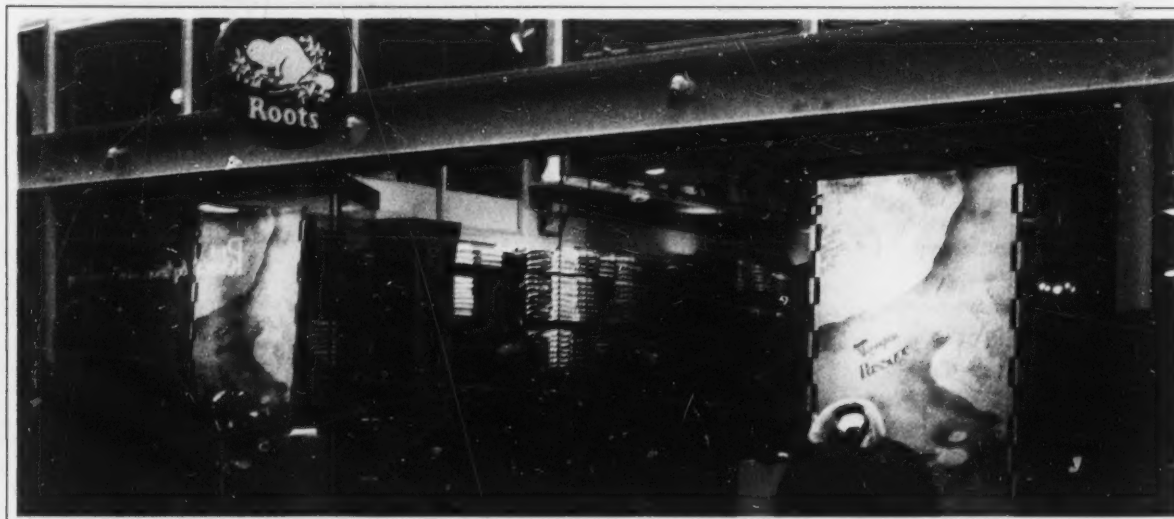
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"I like to think
of myself
as our toughest
customer."

Kenneth A. Macke,
Chairman and CEO,
Dayton Hudson



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CANADIAN RETAILING PARALLELS U.S.

While Canadian retailers must deal with some unique problems created by the sheer size of their country and sharp regional differences in tastes and styles, many of the developments occurring there still accurately mirror what's already happened in various retail classifications south of the border. 17



KEN MACKE: HIS OWN TOUGHEST CUSTOMER

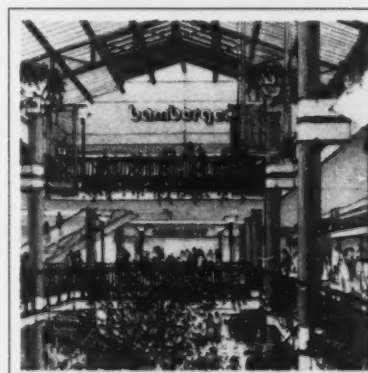
Now chairman of Dayton Hudson, he has spent his entire career proving that success comes from serving the consumer best. 35

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SHOPPING CENTER AGE



DEVELOPERS BULLISH ON CONSTRUCTION OUTLOOK FOR 1987

According to *Chain Store Age Executive* research, 84% of the developers participating in this year's survey expect to increase their gross leasable area before this year is over; 80% made sizeable increases in 1986. Few the changes are foreseen, though, in financing availability. 49

DEVELOPERS ASSUME BULLISH STANCE

SURVEY RESULTS SHOW SIZEABLE ADDITIONS TO GLA PLANNED FOR 1987, 1988

At Equity Properties & Development, current plans for increasing the company's square footage of shopping center GLA include the construction of the Clear Lake Mall in Jacksonville, Fla. (scheduled to open in late 1988) and the addition of anchors at the Magnolia Mall, Florence, Ky., and the Adrian Mall, Adrian, Mich. They also include the expansion and renovation of the company's newly-acquired South Gate Plaza Center in Sarasota, Fla.

Equity's activities provide a vivid illustration of the outlook for the shopping center industry this year as most developers forge ahead, leaving the problems of the early 1980s behind them once and for all. They have at last ceased their yearning for the "good old days" when development opportunities were once almost too plentiful to count, and instead have adjusted to the exigencies of doing business in a changed environment.

For regional mall developers such as Equity, this means seizing those few new center opportunities that

come their way while expanding and renovating existing centers as part of their quest to up the value of their property assets. This also means acquiring centers whenever and wherever a suitable opportunity exists.

Meanwhile, at Leo Eisenberg, one of the nation's largest developers of small centers, plans call for the construction of 25 new projects this year. Four are scheduled to be built in Phoenix, four in Denver, seven in Kansas City, four in Pennsylvania, three in South Carolina and three in St. Louis. The average size of these centers is 165,000 sq. ft. (The company also intends to expand between five and 10 of its existing centers.)

The Leo Eisenberg scenario helps illustrate the fact more small center owners are developing their centers for long-term returns, rather than for short-term gains as had been the rage among some other developers.

As a consequence of this change in attitude, the frenetic pace of small center development shows signs of slowing to a more manageable rate.

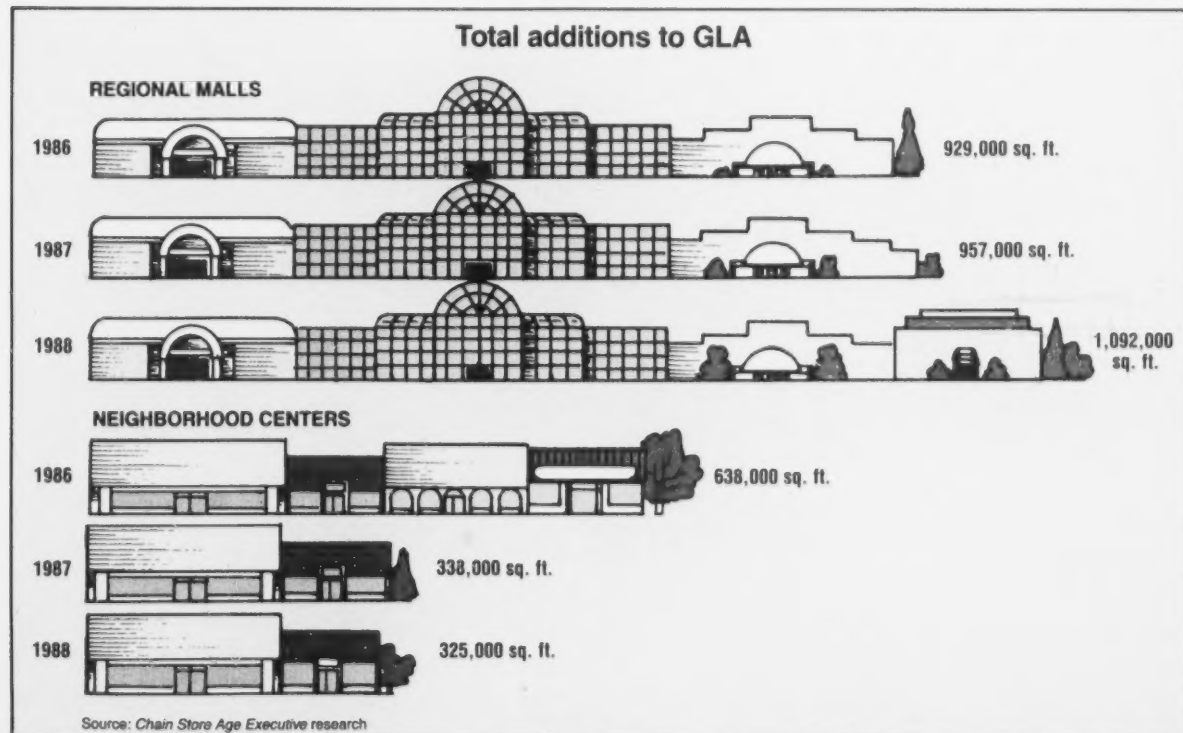
Such conclusions are borne out by

the findings of an original research study focusing on the shopping center industry construction outlook which was conducted by *Chain Store Age Executive*.

There are strong indications that developers have finally learned to do business in a relatively stable business environment and are now looking to reap the rewards. Thus most developers are taking actions that mirror the growth strategies adopted by both Equity Properties and Leo Eisenberg; they are making significant additions to their inventories of shopping center GLA.

For example, 84% of the participants in *Chain Store Age Executive's* study indicate that they expect to increase their total gross leasable area (GLA) before year-end; last year 80% said they upped such holdings.

Looking ahead to 1988, only 74% are at this point planning GLA increases; however, a number of these developers explain that they have not yet finalized all of that year's plans, particularly in the areas of expansions and acquisitions.





Regency Associates

We're Opening
One Million
Square Feet Of
Shopping Center
Space In The
Next Two Years

SEYMOUR, IN

Village Center
150,000 sq. ft.
Opening May 1987

EVANSVILLE, IN

Washington Square Mall
Complete redevelopment and
60,000 sq. ft. Expansion
Opening August 1987

HENDERSON, KY

Audubon Village
150,000 sq. ft.
Opening Fall 1987

AURORA, IN

River Creek Village
140,000 sq. ft.
Opening Spring 1988

EVANSVILLE, IN

Village Commons
200,000 sq. ft.
Opening Fall 1988

More Centers
Coming Soon...

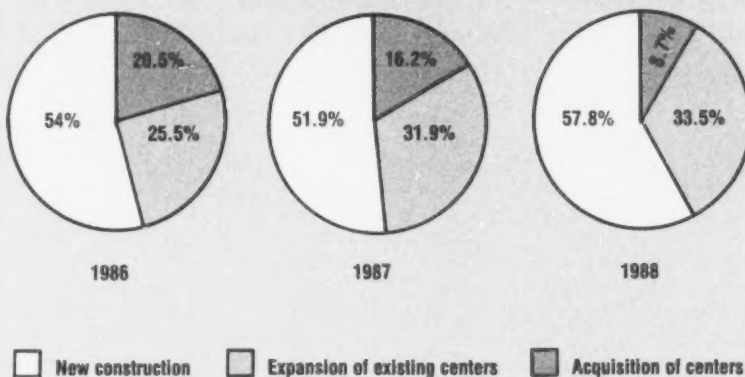


Regency
Associates
5005 Washington Ave.
P.O. Box 5189
Evansville, IN 47715
812-477-8893

For more information circle 134 on reply card

SHOPPING CENTER AGE

Adding to GLA



Source: Chain Store Age Executive research

Also, although the aggregate number of developers upping their GLA may be less in 1988, those developers who are increasing their space expect to do so by an average of 834,000 sq. ft. This can be compared with an average addition per developer this year of 745,000 sq. ft. In 1986, additions made by the survey participants averaged 850,000 sq. ft.

Perhaps even more significantly, there appear to be major changes under way in how developers are carrying out such growth plans. According to the research, acquisitions are becoming a less and less favored way to increase GLA. New center construction and the expansion of existing projects are combining to take up the slack (*see chart*).

One probable reason for this slowing of acquisition activity is the decreasing availability of good candidates. The hectic acquisition pace of the last few years means that there are obviously now fewer good prospects available.

In addition to exploring development trends among the total survey group, the research study also pinpoints some differences (and similarities) in the growth plans of two comparative developer groups. These are comprised of participants involved primarily in regional mall development and in neighborhood/convenience/community centers. (Fifty-four percent of this year's survey respondents are involved primarily with regional malls; 30% are involved primarily in the second area.)

Even a cursory examination of these results shows a distinct downward trend in neighborhood/convenience/community center construction.

Compared with 1985 when 88% of these developers report having opened new centers, only 67% expect to do so this year, the same number as in 1986. An even sharper drop off is projected for 1988 when only 53% expect to construct new centers.

Again, this number reflects some uncertainty about projecting construction schedules that far ahead; it also illustrates the fact that unlike regional malls which are often under construction for several years, these smaller centers can be built and open for business in less than 12 months.

Nonetheless, the average number of centers opened by this group of developers has also fallen dramatically from 1985's figures when they opened an average of 3.3.

They also report that last year they opened an average of two centers each, expecting to be only slightly more active this year, opening an average of 2.3. They anticipate this figure will decline to two in 1988.

In addition, there are major geographic shifts in this new construction.

Somewhat surprisingly, the Southeast appears to have fallen distinctly out of favor. While 64% of the respondents report having opened new centers in this region in 1985, only 30% opened projects there last year (30% also expect to do so this year).

Conversely, the Midwest has made a comeback of sorts, with 20% of the new neighborhood/convenience/community centers constructed by the survey group having been opened in that region last year and a further 10% expected to open in the Midwest this year.

There also appears to be an up-

New center construction plans
(by region)

	Regional malls	Neighborhood/ Convenience/ community centers
Southeast	19	30
Southwest	—	—
Pacific	—	30
Northeast	29	20
Mid-Atlantic	16	—
Midwest	37	20
Southeast	23	30
Southwest	—	30
Pacific	—	—
Northeast	15	10
Mid-Atlantic	46	20
Midwest	15	10
Southeast	36	38
Southwest	7	25
Pacific	—	—
Northeast	29	25
Mid-Atlantic	21	12
Midwest	7	—

Source: Chain Store Age Executive research



Gateway Square
NE corner Hopyard Rd. &
Stonridge Dr.
Pleasanton, California
94,000 square feet

Woodmen Terrace Plaza
NW corner Woodmen Rd. &
Rangewood Dr.
Colorado Springs, Colorado
350,000 square feet



The Marketplace at San Ramon
SW corner Alcosta Blvd. &
Bollinger Canyon Rd.
San Ramon, California
180,000 square feet

For Leasing Information:



Developments of
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Corporation
P.O. Box 660
San Francisco, CA 94101
formerly
W.R. Grace Development Corporation

Merchants National
Management Co., Inc.
Ed Woodland, president
P.O. Box 630
San Francisco, CA 94101
415.866.8282

surge of interest in the Northeast region. Twenty percent of the small centers opened in 1986 were in that region; only 10% will open there this year. However, the percentage is projected to rise to 25% by 1988. (See chart outlining geographic construction/expansion plans.)

New regional malls are also projected to be more plentiful in the Northeast by 1988, when 29% of those survey participants involved primarily in regional mall development plan to open new centers in this region. (However, looking at the year ahead, only 15% of the new malls being opened by this group will be in the Northeast region.)

The biggest area of growth is the Mid-Atlantic region, where a full 46% of the regional malls being developed by this group will open their doors before year-end.

In general, new construction activity by those survey respondents involved primarily in regional mall development is maintaining a steady pace. Fifty-two percent constructed new centers in each of the past two years, the same number as now expected to construct centers in 1988.

There is, though, a slight slowing anticipated for this year, with the percentage dropping to 48%. Yet, the average number opened per developer is up this year, to 2.8, from last year's 2.2 and from 1985's 2.3. It is also ex-

SHOPPING CENTER AGE

pected to remain at almost the same level (2.7) in 1988.

The average size of regional malls being built is on the upswing, too. It stood at 473,000 sq. ft. in 1985; it went up to 541,000 sq. ft. last year; it is projected to rise to 677,000 sq. ft. this year. (The question was not asked concerning 1988 plans.)

There are a number of potential reasons for this increase in size, among them:

- The inclusion of food courts in more centers which can account for a considerable amount of square footage;
- Greater willingness by established chains to expand into new market areas and to take advantage of opportunities (often putting a number of their divisions into a single mall location);
- A number of strong, new retail companies appearing on the scene eager to grow quickly (and well financed by venture capitalists);
- Rapidly growing franchised operations hungry for space;
- The fact that many of these new centers are not being built in "middle

markets" as was the case several years ago, but instead in actual major metropolitan markets. (The Hahn Co.'s new Bridgewater Mall, examined in this issue, is a prime example of this trend.)

New neighborhood/convenience/community centers are getting bigger as well. The average size was 161,000 sq. ft. in 1985; it rose to 232,000 sq. ft. last year; and the average for 1987 will be approximately 300,000 sq. ft.

One of the reasons for this increase in size is that anchors at these centers are bigger (for example, more supermarkets average well over 35,000 sq. ft.)—and are more plentiful. For example, today's "small" center may have as its anchor tenants not only a supermarket, but also a discount store, a consumer electronics superstore and/or a home center.

Many of these retailers started finding homes in such locations earlier in this decade when the expansion of these smaller centers was taking place at a rapid pace.

In 1985, 50% of the survey respondents involved primarily in the devel-

opment of neighborhood/convenience/community centers expanded their centers. However, this number fell to 33% in 1986; this year only 27% of these respondents expect to undertake expansion projects.

Conversely, 48% of the survey participants involved primarily in regional mall development plan to expand their centers this year, up from 41% that undertook such projects in 1986 and 43% in 1985.

Looking at the total survey group, 40% expanded their centers in 1985, with each developer creating an average of 125,000 sq. ft. of new GLA. This figure rose to 44% in 1986, with the average GLA created by the expansion climbing to 162,000 sq. ft.

This year, 48% or close to half of the respondents plan to expand their centers, creating an average of 192,000 sq. ft.

Such expansions, combined with the relatively high amount of new center construction taking place, are going to provide plenty of opportunities for retailers eager to grow their businesses. ■

Opening Doors in Ohio!

JCPenney

milltown mall

Wooster, Ohio. Planned for 1987. with JCPenney, K mart, Elder Beerman. Includes 60 shops, stores, restaurants in 450,000 s/f.

Kmart

woodland mall

Bowling Green, Ohio. Opening early 1987. Anchors include JCPenney, Elder Beerman... 60 shops, stores and restaurants in 250,000 s/f. Over 50% of mall space already committed.

Carlisle's

Coronation mall

Alliance, Ohio. Opened 1983. 235,000 s/f with anchors JCPenney, Kmart & Carlisle's, plus free-standing Quality Farm & Fleet. 110-room HOLIDAY INN addition to Mall scheduled to open Fall '87

Elder Beerman

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300,000 s/f PLUS Hotel & Office in PICQUA, OH. '88

250,000 s/f, 3 department stores, GREENVILLE, OH. '88

the M Company

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Alliance, Ohio 44601
(216) 821-4447

SPENDING: BRIGHT SPOT IN LACKLUSTER ECONOMY

IN AN UNCERTAIN CLIMATE, RETAILERS KEEP AN EYE ON THE CONSUMER'S DOLLAR

As chief economist for Shearson Lehman, one of Alan Sinai's prime responsibilities is speaking before various business groups. Lately, though, the only gatherings that have been welcoming him with open arms are those containing retailers.

"When I'm asked to speak in front of retailers, I'm really happy because at least I have good news for them," acknowledges Sinai. That's because he views consumer spending as one of the few "bright spots" in an otherwise slow-moving economy.

Signs of this sluggishness include a Gross National Product which Sinai predicts will climb by only 2.7% this year, or just slightly higher than 1986's 2.6%. Looking at fixed investment by businesses, he foresees a decline to 2.1%.

As for other economic indicators, he anticipates housing starts will fall, from 1.85 million in 1986 to a projected 1.76 million.

Even consumer spending is projected to rise by only 2.7%, or a more modest rate of increase than last year's estimated 4.1%.

The only relatively good news then, is a projected 5.9% increase in retail sales, on top of 1986's estimated 4.8%, according to Sinai.

The nation's retailers are not only welcoming Sinai's outlook but some are even more bullish. For example, William Howell, chairman of New York-based J. C. Penney, the nation's second largest general merchandise retailer, says, "We anticipate that sales of general merchandise will increase about 7% in 1987, generally the same level as in 1986." He acknowledges, though, that "The inflation rate for GAF merchandise is expected

to advance to 2%, lowering the real gain in GAF sales to 5%."

At Bentonville, Ark.-based Wal-Mart, Charles E. Self, vp-finance, says, "We are looking at strong sales increases in 1987 and planning an increase of about 10%. We will be adding a lot of stores next year, too."

He adds that while many retailers with stores in the economically depressed farm belt and/or Sunbelt experienced problems there last year "We enjoyed good results and we saw no weaknesses in those areas."

The experiences of Home Depot have been somewhat different, though, points out Arthur Blank, president of the Atlanta-based home center operator. "The oil and gas crisis in the Southwest has definitely

hurt our sales in Houston, New Orleans and Shreveport," says Blank.

As for this coming year, he anticipates that "our own industry will be very strong in 1987. This is because interest rates are good, the do-it-yourself business is booming and housing start trends appear positive."

A similar view of 1987 is shared by Steve Lightstone, senior vp and cfo for Payless Cashways, Kansas City, who says, "We expect that sales this year will be reasonably good, like those of 1986." For Lightstone the major limit on sales growth is the fact that "Texas and Oklahoma are still affected by the oil problem and the situation won't change for at least a year."

Other types of retailers are also being impacted by what's been happen-

ing in the now depressed oil industry. For instance, while Gene Morphis, senior vp-planning for Dallas-based Zale Corp., views 1987 "as a moderate growth year, with the East and West Coasts, as well as the Southeast, continuing to be strong." The worst spot, though, is the Southwest.

"Cautious optimism" is the way Elliott Jaffe, chairman of Dress Barn, Stamford, Conn., describes his company's business outlook: "Store for store we anticipate a 5% sales gain, 30% for the company as a whole."

Plans also call for 60 stores to be added to the women's apparel chain this year.

Jaffe adds, "I wouldn't profess to guess about other

Facing an uncertain future



types of businesses, but the excitement that has been generated in fashion will induce the consumer to part with her dollar."

The forecast of James Newton, president of Dublin, Ohio-based Economic Perspectives, gives extra credence to Jaffe's outlook. Newton projects that "some of the best [sales] results will be within various apparel channels, including women's clothing stores and children's and infants' wear stores."

He also anticipates that sales growth will be below last year's levels for durable goods stores, including home appliances. In addition, there are other areas of the industry where retailers "might feel as though sales are falling if the slowdown is not properly planned for," Newton observes.

Sandra S. Schaber, an economist with Chase Econometrics, Bala Cynwyd, Pa., stresses that "Traditionally as an economic recovery becomes more and more aged, we see more consumers turning away from durable goods and toward buying smaller items."

As she admits, "I said last year that consumer spending was bound to slow, and I was wrong. But the most important unexpected factor that kept up the pace of consumer spending was the plunge in gas prices which put an estimated \$20 billion in cash into consumers' hands. And they didn't save it or use it to pay off debt, but instead spent it. Many people also refinanced their homes because of lower interest rates; because of gains in stocks and bonds people also felt richer. But in talking to retailers now, I'm telling them that they can't expect any of these fortuitous events that caused 1986's consumer shopping spree to happen again this year."

That's why she is now forecasting that consumer spending will show a very modest increase of 2.5% this year, down from what she estimates was a 4% increase last year.

However, just as unexpected positive events threw last year's forecasts askew, this year it is also impossible to make any forecast with an extremely high degree of probability. There are simply too many question marks, say

Consumer spending spree



LOWER OIL PRICES AND HOME REFINANCING SPURRED 1986 BUYING

economists and retailers alike.

For instance, the savings rate remains at an all-time low; if consumers were to suddenly start worrying about building these balances back up, it could obviously have a negative impact on retail sales. However, if it goes up approximately 1%, as Schaber and others forecast, "This won't have a drag effect," she explains, adding, though, that "If it went up to 6%, the historic norm, this would indicate considerable consumer retrenchment and would have a major impact on retailing. But I don't expect this to happen."

The single largest factor, though, will be the impact of the new tax law.

At first glance, the effects would appear favorable. After all, the government is estimating that approximately \$11.5 billion will be put into consumers' hands as a result of the tax cut. What do consumers usually do when they get more money? They spend it.

That is what happened this past year when the sharp drop in oil prices resulted in an income windfall of

about \$28 billion for the American consumer, according to Stephen S. Roach, an economist with Morgan Stanley. Like Schaber, he estimates that "the oil dividend explains about half the unexpected burst of consumption the past year," when consumer spending showed a gain of approximately 5%, he says.

Roach is one of a handful of economists who expect the new tax law to have a negative impact on this year's consumer spending, having already caused consumers to go ahead with purchases they otherwise would have postponed.

However, Chase Econometrics' Schaber says, "as for the impact of tax reform, there may have been some extra buying taking place in the fourth quarter. But this was only for very expensive items, not in the mass marketplace."

Newton is even more emphatic. "The effects of tax reform have been greatly overestimated," he states. "To think that people were going around buying this and that just to take advantage of the sales tax deduction is ridiculous. Therefore, it follows that this really shouldn't negatively impact sales early next year."

Instead, "the big question is whether putting more after-tax dollars in people's hands will help consumer spending," says Schaber. "I think the answer is yes, but retailers have to be careful not to overestimate the impact for at least two major reasons. First, we expect that when you take away the tax advantage for investments, there will be a decline in plant and equipment purchasing. This weakens the economy and leads to less income gains and fewer jobs; the impact could offset the extra money gained through tax reform."

Second, she observes, "I have been looking with great interest at the results of all the polls gauging the public attitude toward tax reform. It is unsettling that a common finding of all the polls is that people are looking at the effects of the new tax law with a great deal of skepticism. The general feeling is that 'The other guy is going to benefit, but I don't expect to benefit at all. Also, I expect taxes to go right back up in 1988.' If this is really what people think, they aren't going to be running out and spending more money and so retailers aren't going to get as much positive effect as many may be expecting."

Many retailers are already adopting a cautious attitude. For instance, Zale's Morphis is forecasting that "It

Consumer markets: Looking ahead . . .

	1985	1986F	1987F	1988F
Rate of increase				
Consumption	3.5%	4.1%	2.7%	3.3%
Retail sales	6.4	4.8	5.9	5.7
Contributing factors				
Real disposable income	2.4%	3.2%	3.1%	3.9%
Consumer Price Index	3.5	1.9	3.2	4.0
Real household net worth	3.6	4.1	2.6	2.2

F: Forecasted
Source: Shearson Lehman Brothers

will take a year for people to adjust to the new tax laws." He adds, "It's quite conceivable that it will have an adverse impact on revolving credit in that people will start doing more cash shopping."

Home Depot's Blank believes, "Some of the impact of the new tax law remains to be seen, but there's no question that its effect on revolving credit will be a negative one. Since they won't be able to write off the interest on their tax returns, more and more people will be making cash purchases in the future."

However, Payless Cashway's Livingstone contends that "Interest deductions for credit card purchases may be gone, but I don't think most people make buying decisions based on whether or not they can deduct the interest." And, despite the economists' negative prognostications for home-related products, he believes, "Fortunately for us, the tax bill favors home ownership which will boost

consumer spending for fixing up new and old homes alike."

Kenneth A. Macke, chairman and ceo of Dayton Hudson, Minneapolis, is another retailer who's optimistic about the law's eventual impact. "The overall tax situation will be good for us," he says. "In general, customers will have more money to spend as a result of the tax bill. They feel good about that and we think that's good for our business."

Ralph Shulansky, senior vp and cfo for Rocky Hill, Conn.-based Ames Department Stores, foresees that "Our typical customer will get helped by the new tax law as much as anyone; it will create more disposable income and thereby increase sales."

"Tax reform will actually benefit us in two ways," adds Wal-Mart's Self. "One is that consumers will have more disposable income because they will be paying less taxes and, two, we will pay less taxes and pass this on in terms of lower prices."

Shearson Lehman's Sinai says, "Retailing is more labor-intensive and less capital-intensive than many other industries, therefore most retailers have previously been paying higher tax rates than have many other types of business. Now, though, the tax rates for many of them will go down." (At Payless Cashways, for instance, Livingstone says, "We're going to realize a lower effective tax rate—41% in 1987, 34% in 1988, and even less in future years.")

Another hidden benefit for retailers, Sinai maintains, is that the new tax law will help to alleviate the impending labor crisis in retailing (*Chain Store Age Executive*, June 1986). "Workers will now have more after-tax dollars. This means that more individuals will be interested in second jobs, feeling that all of the extra money won't just go to taxes. There will be a much greater supply of workers willing to go to work in the retail trade," he says. "Because of shortages of workers, retail trade wages have been rising, but now with more employees available, this may no longer have to continue."

"The effect of the tax cut should be to put approximately \$120 billion more in consumers' hands over the next five years," says Sinai. "We can expect consumers to spend a big chunk of that money. But the real key for retailers will be to control costs and to manage inventories tightly so that any increase in sales will show up to full advantage on the bottom line."

Retailers to gather at NRMA convention

What's ahead for the retail industry in 1987 will no doubt be one of the major topics discussed by general merchandise retailers when they gather in New York City this month to attend the 76th annual convention and national retailers business and equipment exposition sponsored by the National Retail Merchants Association (NRMA).

The theme of this convention, being held Jan. 11-14 at the New York Hilton and Sheraton Centre Hotels, is "Retailing '87: Creating Success." With this theme in mind, the scheduled workshops can be grouped under the following headings:

- Major issues with the potential to greatly impact retailing, such as "Challenges to the U.S. Economy: Dynamics of Debt, Trade and Finance," "Industry Restructuring: The Need to Boost Performance" and "Power Retailing: The New Wave."
- New research, encompassing "Vital Trends in Consumer Demographics," "The Over-50 Market: Packed with Purchasing Power" and "Re-Examining Middle Market Buying Power."
- Ways of improving marketing programs, including a look at "Sales Promotion Techniques That Work" and "Secrets of Successful Niche Marketing."
- Maximizing the stores' human resources, with sessions including advice on "Matching the Individual to Company Style" and "How the Right Environment Stimulates Sales Performance."
- How technology is being utilized in the retail environment. Topics include "How Innovative Computer Technology Speeds Up Distribution" and "Using Advanced Technology to Strengthen Management Systems."

However, in addition to a full schedule of workshops, there will also be time allotted for visiting the exhibit areas in both the New York Hilton and Sheraton Centre Hotels.

Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

MAY 1987

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**Cadillac Fairview's
James Bullock:**

**An ICSC president
for the times**

ICSC SPRING CONVENTION

RETAILING IN THE YEAR

2000

Every aspect of retail operations will be altered in some way as companies will be forced to make major changes in years ahead. Many of these will be related to such demographic and psychographic shifts as the aging of the population and the growth of minority groups. 19



VONS INVESTS IN REACHING THE HISPANICS

With many Hispanics already in its market area, this California supermarket chain has devised a format to appeal specifically to them. . . . 218

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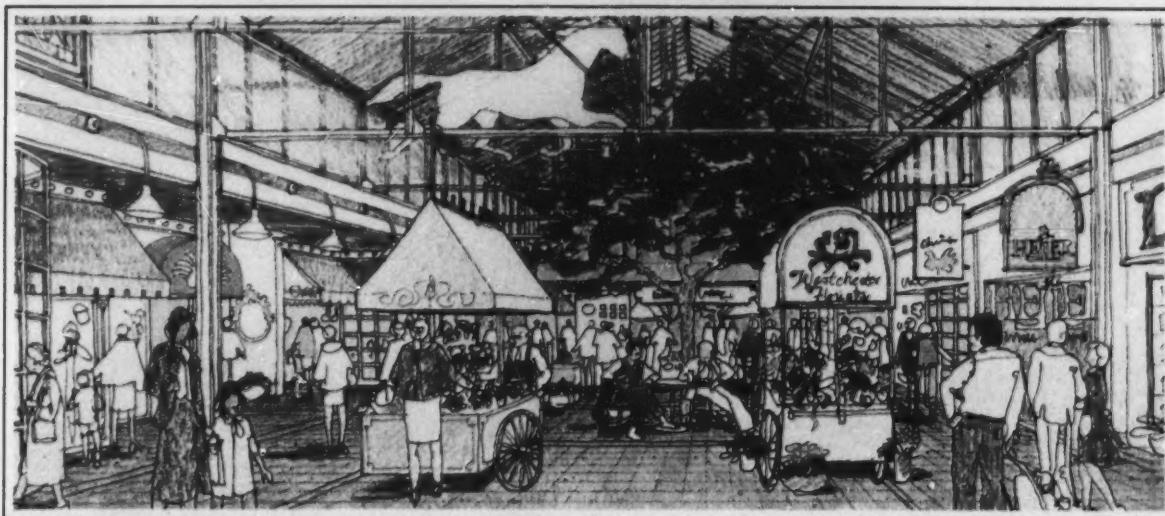
SHOPPING CENTER AGE



DEVELOPERS DEVISE WAYS TO INCREASE CENTER APPEAL

Members of the shopping center industry are preparing to meet the challenges of the future through new center formats, improved marketing and seeking out new tenant types. They are looking ahead to the next 30 years as the ICSC celebrates its 30th birthday this month in Las Vegas. . . 31

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PRINCETON MARKETFAIR: NEW LIFESTYLE

Tomorrow's consumers will demand new shopping center choices. JMB/Federated Realty Associates is already responding with the creation of this new enclosed center, scheduled to open in July. Appealing to the lifestyle of affluent Princeton, N.J., the center's anchors include Cohoes and Super Sports U.S.A. 124



JAMES BULLOCK STEPS INTO ICSC PRESIDENT POST

The president of Cadillac Fairview Shopping Centers won't have much time to sit in his office in the months ahead—an office that overlooks Toronto's Eaton Centre. Instead, he will be embarking on a tour of duty as the head of the shopping center industry association. 31

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Magazine-type formats are replacing or supplementing mall tabloids as shopping center developers experiment with new types of promotional vehicles. Consumers are liable to see additional forms of print being used in the future as the industry becomes more competitive. 78



OAKCREEK VILLAGE: STILL ROOM FOR MORE CENTERS IN NORTH CAROLINA

OVERBUILDING: A REAL OR IMAGINED ISSUE? OPINIONS DIFFER AS TO WHETHER OR NOT THERE ARE TOO MANY SMALL CENTERS

Drive down certain streets in Miami or Houston and the panorama isn't one of beach or prairieland but rather mile after mile of strip shopping centers.

The logical question, when facing this landscape, is: Are there too many centers?

Nationwide, the number of small centers has increased dramatically (see chart). However, small center developers and management companies surveyed by *Chain Store Age Executive* maintain that despite this boom, the country as a whole is not overbuilt with shopping centers.

There are, though, some states (Florida, and the oil-depressed areas of Texas, Oklahoma and Louisiana) that may have more retail real estate available than the market demands. In these areas in particular some developers turned to shopping centers when the demand for office space went bust; they also built centers in anticipation of market growth that never materialized.

"During the last 12 to 18 months, we have seen a number of areas becoming overbuilt, but it's a regional situation, not an overall problem," says Bob Johnson, executive vp of Kansas City-based Leo Eisenberg, one of the nation's largest small center developers and a company actively constructing them all over the country.

Leo Eisenberg has long been in-

involved in small center construction, as have a number of other companies. In the case of the majority of projects undertaken by such developers, the planning process was well drawn and the *pro forma* accurately put together. That hasn't always been the case, however, for some of the newer players in the small center development field; it is these new players that have caused the spread of reports of small center overbuilding.

As Johnson explains, the surge in small center development came about because "few malls were being built and fewer office buildings and apartment complexes were being developed. These people were looking for something to do and retail was hot. At the same time, interest rates dropped and cheap money became available. This served to add even more to the apparent attractiveness of small centers."

"It's been easy to build," agrees John Tuthill, president of Southmark Commercial Management's retail division, which manages 114 properties, most of them strips.

He points out that not only did other companies move into the shopping center field, "But over the past five or six years we have a pretty strong economy in most parts of the country. That caused a lot of people to say 'That's great. Let's build some small centers and cash in on this.' But what happened is that some people built

centers in poor locations because they didn't know how to evaluate sites properly. Now some of these same people may be trying to attribute their current problems to reports of overbuilding."

In addition, under the old tax laws, real estate syndications were an attractive way to shelter income; investors in syndications could write off any losses related to their investments in shopping centers and other types of real estate. There was plenty of this money available.

One of the problems, though, relating to some of the small centers financed by syndications is that these weren't built for long-term investment returns, but rather with the express aim of being able to deduct operating losses or for selling these properties for a fast return.

"Because certain deals were put together for losses, some are problem properties that shouldn't have been built," says Leo Eisenberg's Johnson, adding that unanchored centers in particular are in jeopardy. "The future of these centers will depend on their location. If they're in a soft area, they'll have trouble."

One benefit in the tax law changes may be alleviating such problems in the future. However, an immediate result has been the placing of a large number of small centers on the auction block.

Small center specialists note that

no one is buying batches of these properties indiscriminately. "We're looking for deals," says Johnson. "But we're also being careful. The centers have to have a solid cash flow."

Tuthill sees most developers as taking a similarly cautious approach. As a result, despite an unusual degree of small center availability, "We're not experiencing any shark-frenzied pace of acquisition."

These centers, however, are only

one component of the overbuilding situation, whether real or just perceived. The popularity of certain geographic areas has also caused shopping center construction booms in certain areas; when the economy in such areas suddenly falters, the opportunities dry up quickly.

For example, Tuthill admits that "In Texas and Oklahoma, the number of opportunities to build new centers isn't what it used to be."

nance charges," Webster reports.

Yet, most experienced shopping center developers/managers don't appear to be too worried.

For example, while stating her opposition to such leasing discounts and incentives, Darlene Radwin, vp-marketing for Kingston, Pa.-based Mark Development, says, "We're confident enough in our centers and their markets not to have to compete on price. We're also true believers in the theory that the most expensive thing you'll ever pay for is cheap rent."

In fact, instead of using price-cutting methods, more savvy developers appear to be trying to maintain their competitive edge by improving advertising and marketing programs.

"Developers are finally realizing that even though you have a 100% leased strip center, advertising and promotion can be very effective," Radwin explains.

"We're having to do more marketing," agrees Webster. "We have to create better brochures, buy more advertising."

As Southmark's Tuthill admits, "We in the strip business haven't been as focused on merchants associations and we need to put more efforts there." Therefore, at his company, "We've just rewritten our marketing manual and have put marketing people in all our regions."

Along with marketing a center better, renovations (generally a considerably costlier tactic) can also certainly help a property retain its competitive advantage. And it's a strategy being used more and more often.

"When a new strip gets built and we're there with old canopies and a beat-up parking lot, then it's time to totally redo. We have no choice but to renovate," observes Kimco's Cooper.

Similarly, Pacific Realty's Webster reports that at some of his company's centers, "We're creating a lot more food courts and expensive exteriors than we did five or six years ago and making sure that we have more than adequate parking."

Such activities are also an example of the "cleansing process" at work in the industry, points out Tuthill, who adds that he believes that the greater competition in the industry will continue to "weed out inefficiency."

"All good developers today are doing well," says Leo Eisenberg's Johnson. "The industry is healthy and strong and as long as people do their homework, their future is very bright."

Small center development

	No. of centers		Total GLA (In millions of sq. ft.)	
	1980	1986	1980	1986
1. CALIFORNIA				
less than 100,001 sq. ft.	2,189	2,299	88.8	118.5
100,001-200,000 sq. ft.	424	582	52.7	99.9
200,001-400,000 sq. ft.	127	168	29.3	47.0
2. TEXAS				
less than 100,001 sq. ft.	1,295	1,686	70.5	85.4
100,001-200,000 sq. ft.	432	542	48.8	78.5
200,001-400,000 sq. ft.	163	132	28.6	36.2
3. FLORIDA				
less than 100,001 sq. ft.	832	1,279	39.3	70.3
100,001-200,000 sq. ft.	289	586	34.2	84.0
200,001-400,000 sq. ft.	192	158	24.5	43.5
4. NEW YORK				
less than 100,001 sq. ft.	596	709	31.3	37.9
100,001-200,000 sq. ft.	187	288	28.8	40.0
200,001-400,000 sq. ft.	163	117	28.0	33.3

Source: ICBC Census of Shopping Centers, 12/31/80 and 12/31/86.

Like other developers, he notes that the oil industry's downturn has hurt the economy in these areas in general, but he maintains that while "Texas does have a lot of strips, I don't think it has more than it needs."

He makes a distinction between those markets where the economy is depressed and those in areas of Florida where commercial building has simply outpaced the anticipated growth in population. "I think a lot of people read John Naisbitt's *Megatrends*, took his advice and decided to build in Texas, Florida, California and D.C.," he notes, adding, "They're finding that conditions aren't matching that study they did four years before."

In their eagerness to cash in on the Florida population boom (a growth that has been more gradual than explosive), developers might have "gotten a little carried away," says Todd Cooper, vp of Kimco, Roslyn, N.Y., which has 32 Florida properties in its 124-shopping center portfolio.

He believes that large companies

such as his are in a better position to weather such highly competitive conditions. "We've owned centers for 20 years and therefore don't have to get as high a rent as someone who's building now." He also foresees the pace of strip center construction slowing across the board, predicting, "You're not going to see the same type of growth in the future as you have during the past few years."

However, it's already produced a situation in some markets where developers "just lease space for whatever they can get," says Curtis Webster, vp of Pacific Realty's retail division, headquartered in Los Angeles. "This hurts the good centers and good developers because these people are just giving everything away."

He reports that some center developers are even using the types of incentives initiated by office space developers; they are enticing retail tenants with give-aways such as "one year's free rent, total turn-key finish-out, or letting mom-and-pops put caps on the common area maintenance

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McCRORY: REDEFINING THE 5 & 10

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TIME FOR THE ANNUAL DECISION-MAKERS DIGEST

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SHOPPING CENTER AGE



SAN ANTONIO: SEPARATE FROM THE REST OF TEXAS

Because the city's economy has never been based on oil, it hasn't suffered like Houston or Dallas. Instead, the military is the major employer; the city is also expanding its role as a tourist mecca with the opening of SeaWorld. The result: the development of major new retail centers. 25

ANNUAL DECISION-MAKERS' DIGEST

CHAIN STORE AGE EXECUTIVES RESEARCH STUDY ANALYZES BUILDING TRENDS

The clues start appearing early. In the case of the mall stores, there are often temporary facades with signs reading "Future Home of XYZ Retailer." For other retailers, the process is even more evident: prospective customers watch the construction in progress as they

ride by on the highways.

Finally, it's that long awaited moment when the retailer announces the store's Grand Opening. Customers come in and, if all has gone as planned, walk out with bags full of merchandise.

Few of these consumers realize the countless decisions that had to be made just to get the store built. Yet, the selection of the stores' physical components is critically important to

its success.

Chain Store Age Executive this month presents, in its annual Physical Supports Census, information which can aid these retailers in making such decisions.

What types of flooring are being used by different retailers? What is the cost per square foot for these materials? For roofs? For ceilings? For fixtures? The answers to these and a host of other questions are presented in the pages that follow.

The survey also seeks to help retailers answer the all-important ques-



Supermarket

Existing stores:
Mean: 48,800 sq. ft.

Amount of selling space available in typical store:
Mean: 36,209 sq. ft.

Size of stores opened in 1986-87:
Mean: 41,200 sq. ft.

Amount of selling space available in stores opened in 1986-87:
Mean: 30,817 sq. ft.

Cost to erect a building shell within last 12 months:
Mean: \$28.90

Source: Chain Store Age Executive research

Department

Existing stores:
Mean: 148,300 sq. ft.

Amount of selling space available in typical store:
Mean: 119,975 sq. ft.

Size of stores opened in 1986-87:
Mean: 149,500 sq. ft.

Amount of selling space available in stores opened in 1986-87:
Mean: 118,635 sq. ft.

Cost to erect a building shell within last 12 months:
Mean: \$40.50

Source: Chain Store Age Executive research

Discount

Existing stores:
Mean: 88,700 sq. ft.

Amount of selling space available in typical store:
Mean: 69,097 sq. ft.

Size of stores opened in 1986-87:
Mean: 91,000 sq. ft.

Amount of selling space available in stores opened in 1986-87:
Mean: 73,437 sq. ft.

Cost to erect a building shell within last 12 months:
Mean: \$27.20

Source: Chain Store Age Executive research

tion: "How large should we build our stores?" It's impossible to provide any precise responses but it is hoped that by comparing themselves with industry averages, retailers can at least glean some insights.

Likewise, there are no easy answers to the question of how much square footage should be devoted to selling area, or how much should the store cost to erect. Again, industry averages are presented for comparison.

Unlike previous years, few clear trends emerge from these numbers. For example, while for the last sever-

al years supermarket size appeared to be on the upswing, this year the trend has reversed. The survey shows that the average size of existing stores operated by the respondents is 48,000 sq. ft.; the average size of new stores opened by these supermarkets in the past year is 41,200 sq. ft.

Drug stores also appear to be getting smaller. The average size of existing stores, according to the survey, is 14,300 sq. ft.; the size of stores opened in the last year has fallen to 7,416 sq. ft.

Apparel stores, too, are becoming smaller, with existing stores averaging 21,200 sq. ft. in size, but the more recently opened stores averaging 14,500 sq. ft.

Conversely, both discount stores

and home centers are being built larger and larger. The survey shows that the size of existing discount stores is 88,700 sq. ft. on average, compared with an average size for the newer ones of 91,000 sq. ft. For the home center industry, the numbers are 28,300 sq. ft. and 33,900 sq. ft. respectively.

The situation for the department stores is about status quo: existing stores average 148,300 sq. ft.; newer stores average 149,500 sq. ft.

No matter what the size, though, all these retailers have one thing in common: they are eager to create the kinds of stores that attract customers and keep them coming back for more.



Apparel Specialty

Existing stores:

Mean: 21,200 sq. ft.

Amount of selling space available in typical store:

Mean: 16,536 sq. ft.

Size of stores opened in 1986-87:

Mean: 14,500 sq. ft.

Amount of selling space available in stores opened in 1986-87:

Mean: 10,860 sq. ft.

Cost to erect a building shell within last 12 months:

Mean: \$28.10

Source: Chain Store Age Executive research

Drug

Existing stores:

Mean: 14,300 sq. ft.

Amount of selling space available in typical store:

Mean: 11,440 sq. ft.

Size of stores opened in 1986-87:

Mean: 9,400 sq. ft.

Amount of selling space available in stores opened in 1986-87:

Mean: 7,416 sq. ft.

Cost to erect a building shell within last 12 months:

Mean: \$28.90

Source: Chain Store Age Executive research

Home Centers

Existing stores:

Mean: 28,300 sq. ft.

Amount of selling space available in typical store:

Mean: 22,753 sq. ft.

Size of stores opened in 1986-87:

Mean: 33,900 sq. ft.

Amount of selling space available in stores opened in 1986-87:

Mean: 26,713 sq. ft.

Cost to erect a building shell within last 12 months:

Mean: \$25.50

Source: Chain Store Age Executive research

ANTILLA'S FIXTURES DEFINE CHAIN'S IMAGE

FINLAND-BASED RETAILER'S STORE DESIGN RELIES ON SINGLE FLEXIBLE SYSTEM

After one look at the Finland-based Antilla general merchandise chain, anyone can recognize that to describe the store is to describe its fixtures—which isn't a negative reference by any means. Rather, Antilla has established a definite image in its marketplace through the selection of its fixturing choices.

To do this, instead of behaving like American retailers, who typically rely on numerous fixturing sources for their stores, Antilla was able to turn to a single source to fulfill 90% of the fixturing needs for its stores.

The end result is a store interior that's defined by the fixture choices. The overall look of the store, the actual walls, and even the spacial definition of departments, are all created through a single fixture package.

"The type of fixturing that was designed and developed for it really became the total design for the store," says Michael Murphy, vp of Columbus, Ohio-based Retail Planning Associates (RPA).

As of press time, RPA had redesigned one store in the 12-unit chain, and is in the process of working on a second.

"The main thing we wanted to do for them was to show them a different way to present their merchandise," Murphy recalls. "Before the remodeling probably 80% of their merchandise was on old style 5-and-10 tables. Extra stock was housed in red transfer tote bins stored underneath these tables. So, all you had was a flat fixture presentation with red boxes everywhere."

Today there are no red boxes to be seen in Antilla, nor is there any flat merchandise presentation. "The end result was that we did do away with all the red tote bins and they actually got more merchandise out on the floor than before," Murphy states. "By taking that stock space where they house the red tote bins and turning that into usable flexible space, they were able to do away with the tote bins and put all the merchandise out on the floor. That was the overriding fixture con-



ANTILLA: MINIMALISTIC FIXTURES GIVE HIGH-TECH FEEL TO APPAREL DEPARTMENT

cept."

What RPA turned to was a metal perforated wall fixturing system from G.W.S., a company headquartered in Vantaa, Finland. Supplementing that system, which is used for the majority of the merchandise presentation, are fixtures from Manchester, England-based Opto, and Wilkes-Barre, Pa.-based InterMetro Industries.

The metal fixturing system is so flexible that it is used throughout the store to display everything from skeins of yarn to ladies' blouses to food items. In fact, being able to dis-

play the stores' broad range of merchandise was a key criteria in selecting the fixturing system.

At the core of the system is a 3-ft.-square metal grid that runs overhead around the perimeter of every department in the store. The grid not only reinforces the circulation pattern, it also serves to anchor the metal wall paneling system.

The boxes formed by the grid hold snap-in light fixtures. While this grid hangs lower than the fluorescent bulbs overhead, some additional light fixtures can be popped into the grid work.

Types of fixtures used

	Total %	Discount %	Department %	Apparel Specialty %
Small racks for accessories	76	73	87	67
Candoles	60	96	83	33
Showcases	67	87	99	40
Large racks for apparel	90	83	97	37
Glass cases	82	78	90	27
All other mentions	1	—	—	3
Don't know/no answer	1	3	—	—

Source: Chain Store Age Executive research

Lifespan for fixtures

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	14	13	10	10	30	3	20
6-10 years	60	60	60	70	37	63	77
11-15 years	13	13	23	13	17	10	—
16-20 years	4	10	—	3	10	3	—
21-25 years	1	3	—	—	—	3	—
26 years or more	3	3	3	3	—	7	—
Life time/permanent/don't replace	1	—	3	—	—	—	—
As needed/required	2	7	—	—	3	3	—
Don't know/can't estimate	1	—	—	—	3	—	3
(MEAN NUMBER OF YEARS)	(9.0)	(11.3)	(10.8)	(12.0)	(8.3)	(11.8)	(7.8)

Source: Chain Store Age Executive research

The same boxes also hold illuminated panels which feature lifestyle photomurals. The illuminated photomurals are located throughout the 70,000-sq.-ft. store. In addition to providing esthetic appeal, they function in the stores in place of departmental signage.

The other main part of the system consists of square punched metal perforated panels, similar to pegboard or slatwall. These panels were selected because they can be used in a variety of ways: tall, wide panels can be hooked into the overhead grid to form department walls; when inserted into a base they can be used as freestanding fixtures; and narrower pieces of the paneling can be hooked to the grid work, functioning as promotional displays.

The fixtures that hang from any of these panels are completely interchangeable. For example, the same

slanted shelves that are used on the wall panels can be used on the promotional displays or the freestanding units.

"The customer has the flexibility to shelve, to hang, to peg. It's totally flexible," says Murphy, speaking of the advantages for the retailer in turning to this system.

Additionally, many of the departments feature black horizontal rods atop the wall panels; they add a decorative touch and can also be used to hang merchandise.

Using this system, Antilla was able to fixture practically the entire store. For example, on the main floor, the overhead grid defines an island space that houses the women's department. While there are some traditional T-stands, four-ways and round racks displaying merchandise, the merchandise also hangs from hooks inserted into vertical metal panel fix-

tures in the store.

The same wall system is also used in the children's department. However, "The difference here is that there's no solid backdrop wall dividing this department," Murphy points out. "It's a free-floating island. There's the ceiling grid system that runs around the perimeter of the department; on the four corners of the department are promotional fixtures" used for special displays.

These promotional fixtures are among the few places where color can be found on the main floor. All promotional fixtures are finished with a pastel color; the color corresponds to the department in which the fixtures are located.

All of the remainder of the paneling systems used in the store are off-white.

Another place where there is color is in the photomurals. However, it was the intent of the designers to have the merchandise itself account for most of the color in the store.

Still, one department that stands out from the rest, even though it, too, makes use of G.W.S. fixturing, is the young people's department. "We wanted more of an upbeat look for young people," Murphy explains, adding that the department features "high-fashion, casual funwear" for both young men and women.

In this department, although the photomurals, overhead grid and the wall system are all the same as those used elsewhere in the store, there is one added touch that differentiates the merchandise: the theme of the black rods atop the wall panels has been carried over to the freestanding fixtures. These fixtures are black pipeline, with a minimalistic, high-tech feel (similar to what is found in the Esprit departments in U.S. department stores).

While the same metal fixturing system is used on the second floor as well, new Opto fixtures in a teal color are also being used. (Unlike the Opto fixture most people are familiar with, the new one does not use a ball connector.) Solid laminated shelving units are being used in the furniture areas, while glass top shelves are used in housewares.

"We used it [the Opto fixture] because the presentation of giftware, housewares, wicker and furniture, has a different requirement than, say towels," Murphy explains. "The look is more of a stacked look. Opto worked well because it gave us the look we wanted and teal was the main

Cost per square foot for fixtures

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than \$3.00	14	3	20	7	13	27	17
\$3.00-\$5.00	20	27	43	7	10	37	27
\$5.01-\$10.00	23	23	20	30	17	17	33
\$10.01-\$15.00	12	10	7	27	10	10	10
\$15.01-\$20.00	0	20	3	7	17	3	7
More than \$20.00	12	17	3	23	20	—	—
Don't know/can't estimate	3	—	3	—	3	3	7
(MEAN)	(\$9.10)	(\$9.70)	(\$6.70)	(\$10.40)	(\$10.00)	(\$5.20)	(\$6.40)

Source: Chain Store Age Executive research

color scheme of the store—it's in the new logo we developed, in the color striping on the exterior of the store, at checkout area, and in the basement. The use of the teal color is a tying thread."

The third fixturing system used resembles metal baker's racks, says Murphy. In the basement, gourmet cookware sits on InterMetro Industries units. "Typically, what you'll see here in the U.S. is this system in a chrome finish. In Antilla, it's all high-gloss white enamel," he adds.

Although Murphy could not comment on the total cost of the remodeling, he does indicate that the metal wall panel system, which comprises about 90% of Antilla's fixturing, is a moderately-priced system. "In the U.S., department stores typically spend anywhere from \$35 to \$75 per square foot for fixturing. Discounters spend \$10 to \$20. [For more information on U.S. retailers' fixturing costs, see accompanying charts.] This metal panel system runs in the vicinity of \$10 to \$15 per square foot." ■

cently conducted by *Chain Store Age Executive*.

Ceilings are, in fact, one of three important planes in the interior of most buildings, says Kaiser. The other two planes are the floors and walls. Also, in most cases, the designer has to work closely with the lighting designer in installing a ceiling to get the anticipated look. Bad lighting can spoil the effect of a ceiling and vice versa.

In using color ceilings, says Kaiser, unless the lighting is compensated for, the color can "eat up the lighting."

Ceilings in themselves are not only necessary but they are inexpensive, considering their lifespans. According to a survey by *Chain Store Age Executive*, 40% or more of discount, department, drug and apparel stores, and supermarkets pay between \$1.01 and \$2.50 a square foot for new ceilings.

In addition, 10% of discount stores, 23% of supermarkets, and 17% of department stores pay somewhere between \$2.51 and \$5 a square foot for their ceilings.

But amortized over their lifespans, the price seems much more affordable. The same survey says a total of 51% of retailers who responded indicated that their ceilings last between six and 10 years, and another 30% said they last more than 11 years, sometimes up to 30 years.

In designing the LensCrafters store, says Marlene Porterfield, project executive for Space Design International, she combined the ceilings with fluorescent lighting fixtures tucked away in covers behind a continuous lead valence. The lighting was aimed at the top of the vaulted ceiling.

The design firm used a series of dry wall crossovers covered with mirrors to break up the 7,000-sq.-ft. store—the idea was to keep it from resembling a giant bowling alley, says Porterfield.

The Pittsburgh installation was completed in September 1986. As a result of its success, LensCrafters gave the go-ahead for similar designs in another 10 stores.

In the case of One Hour Optical, interior designer Geoffrey Wyld specified a new ceiling called Revisions A from Armstrong. Revisions A is an open-celled ceiling panel made of high density material molded into high-tech shapes. The new 2-ft. by 2-ft. panel is designed for a conventional grid and suspension system.

CEILINGS: COLOR SETS A MOOD LIGHTER TONES MAKE A DESIGN STATEMENT

When Space Design International, Columbus, Ohio, was asked to create an interesting atmosphere for LensCrafters' new store in Ross Park Mall, Pittsburgh, "to pull in the customers," the firm designed a vaulted ceiling using gypsum board from USG Interiors, Chicago.

Still another eyewear chain, One Hour Optical, wanted to improve its showroom ceiling design when it moved its corporate headquarters store to a new location in Denver, so it went to Armstrong World Industries, Lancaster, Pa., for assistance.

"We definitely did not want the standard ceiling in the area where we display our glasses and serve our customers," says Claudia Czajkowski, One Hour Optical's president.

"We didn't mind staying with the standard ceiling in our back office area because of lighting complaints,

but we did not want them out front," she says.

To introduce a feeling of intimacy into the store's produce, bakery, deli, meat and fish departments, Kroger used a light gray ceiling from USG in its Lexington, Ky., supermarket. Gary Kaiser, vp of Retail Planning Associates, the company that designed the store, says his firm is now making more extensive use of ceilings with color in retail stores to set certain moods.

Once thought of merely as a necessity to cover up the inside of the roof or unsightly overhead pipes and wiring, ceilings have become a more important element in store design, say designers.

At the same time, retailers are now spending an average of \$1.80 per square foot for their ceilings, with 2x4 ft. lay-in panels by far the most popular choice, according to research re-

Lifespan for ceilings

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	8	7	13	10	—	7	13
6-10 years	51	53	60	57	30	33	70
11-15 years	14	10	13	13	27	13	10
16-20 years	8	17	3	10	10	17	—
21-25 years	3	7	—	—	3	7	—
26 years or more	4	3	3	—	10	10	—
Life time/permanent/don't replace	8	—	3	7	13	7	3
Don't know/can't estimate	2	—	—	—	7	—	3
(MEAN NUMBER OF YEARS)	(12.0)	(13.1)	(10.0)	(10.4)	(15.1)	(15.2)	(8.4)

Source: Chain Store Age Executive research

PHYSICAL SUPPORTS CENSUS

Cost per square foot for ceilings

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than \$0.50	14	7	22	7	7	37	7
\$0.50-\$1.00	27	37	33	28	28	23	27
\$1.01-\$2.00	48	47	48	49	43	29	56
\$2.01-\$5.00	11	10	3	23	17	3	7
More than \$5.00	5	—	—	7	19	3	10
Don't know/ no answer	2	—	—	—	3	7	—
(MEAN)	(\$1.89)	(\$1.58)	(\$1.19)	(\$2.39)	(\$2.49)	(\$1.19)	(\$2.19)

Source: Chain Store Age Executive research

Types of ceilings used

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
2x4 ft. lay in panels	73	77	87	79	77	77	53
2x2 ft. lay in panels	21	—	13	13	58	—	47
12x12 concealed splices	8	3	3	—	—	3	3
Plaster	7	7	3	—	27	7	—
Acoustical	7	3	—	7	28	3	18
Regular 2x4 ft. lay in panels	8	—	—	7	28	—	7
Regular 2x2 ft. lay in panels	4	—	—	—	23	—	3
All other mentions	7	7	—	3	19	17	7
Don't know/ no answer	1	3	—	—	—	3	—

Source: Chain Store Age Executive research

According to the *Chain Store Age Executive* research study, 50% of department stores and 47% of apparel stores use 2-ft. by 2-ft. lay-in panels in their stores, as do 13% each of drug stores and supermarkets.

A major advantage of Revisions A is that the ceiling can be installed under an existing ceiling without decreasing the acoustical efficiency of the original ceiling or interfering with the store's heating, air-conditioning and lighting.

The 13,000-sq.-ft. store and headquarters is located in a 30-year-old shopping center on South Colorado Boulevard in a high traffic area of Denver.

Comments chain president Czajkowski: "We wanted a modern high-tech look, but we did not want something that would be out of fashion in 10 years. The ceiling is open, it's airy and it's different."

She adds that, "Business increased appreciably within the first few weeks of our move without advertising or any special effort."

In using colors in the Kroger

stores, Retail Planning Associates went to USG for its modular Illusion Ceiling Series. The Illusion series consists of 24 colors, five designs and four texture patterns. They are 2-ft. by 4-ft. panels which look like 48-ft. by 6-ft. strips for a linear effect.

Because lighting reflects off the ceiling as well as the floor and walls, it's important that the lighting be specified in the original design, says Retail Planning Associates' Kaiser.

For years, he says, designers wanted to use color in ceilings, but they were generally limited to dark colors, mostly black.

Today, the designers are using a whole spectrum of colors, he notes. For instance, a mood of spaciousness and/or cleanliness can be achieved through the use of lighter colors, such as peach or vanilla. In another instance, light blue or a faint violet are ceiling colors that convey a serene feeling, he adds.

Whether by use of colors or vaulted ceilings, the overhead effect can help create the store image, agree the designers.

1986 NEW STORE OF THE YEAR AWARD WINNERS

DEPARTMENT STORES

Macy's Galleria
Burdine's
Saks Fifth Avenue
Rich's

DISCOUNT STORES

Target

DRUG STORES

Thrifty

HOME CENTERS

Gray Lumber Co. Servistar
T. W. Perry

SUPERMARKETS

Price Chopper Supercenter
Cedar Knolls Superfoodtown
McCowan's Marketplace

SPECIALTY (APPAREL)

Banana Republic
Leigh's
Casual Corner
Goldi

SPECIALTY (NON-APPAREL)

Crabtree & Evelyn
Well-Pet
Record World

LUXURY APPAREL

Amalia Branca
Polo/Ralph Lauren

SIGNAGE UPS SALES AT KIDS 'R' US BY 20% **EFFECTIVE USE OF PHOTOMURALS STIMULATES CUSTOMERS' IMAGINATIONS**

Sales of certain garments at Kids "R" Us climbed 20% when mannequins were replaced with backlit transparencies of good looking children at play.

Comments Charles Lazarus, chairman of parent company, Toys "R" Us: "It stimulates people's imaginations to think about what clothes would look like on a real person." He calls the use of transparencies, "Our version of a fashion show."

Photomurals, whether backlit transparencies or huge photographs on the walls, are only one facet of the ever-growing signage phenomenon in all retail chains.

"For years, retailers tried to do without signs," says Dom Segretti, principal in the architectural and store design firm of Tucci, Segretti and Rosen, New York. "They felt that if you can't tell what department you're in, something's wrong. Don't

put signage over the obvious."

But customers want signs, adds Segretti. "They [signs] offer a service message." As an example, he points out that more and more chains are putting "Service" signs over their cash-wrap desks so that customers can easily locate them, especially on cluttered selling floors.

Interior signage comes in all sizes, shapes and materials. Considering their lifespans, signs are quite inexpensive. A *Chain Store Age Executive* survey shows that 64% of all stores pay less than 25¢ a square foot for their signs. A total of 52% said their signs have lifespans of anywhere from six to 10 years, with 77% of apparel stores fitting into that bracket, 70% of supermarkets and 63% of discount stores.

Many chains currently are hanging huge fabric banners from their ceilings to proclaim messages ranging from the name of the store to specific brands or department locations.

Montgomery Ward is using foam, styrene, neon and fabrics to identify its departments and brands. Signage at Ward plays an important part in changing its image to a chain incorporating specialty shops within its four walls. For the most part, explains Norman Abplanalp, manager of concept design, Ward is working on an integrated interior signage system. It combines graphics and printing as parts of the same signs.

Purpose of the signage is threefold, he says: identify departments, establish brand names and set a mood.

For the most part, color is used for setting the mood. Basically, the chain uses bright, primary colors in its signs, rather than pastels. In apparel, colors are coded to help customers identify women's, men's and children's.

Full-color photographs show life styles. The chain also uses backlit transparencies, primarily in the center of the store for identification purposes. If the backlit sign is on the first floor, it often will tell the customers what's on the second floor.

Other chains are suspending metal or wood signs from the ceilings, also to locate departments or tell what brands are being sold. Many chains, such as K&B, the New Orleans-based drug chain, use signage strictly for utilitarian purposes. It uses wall-

Cost per square foot for interior signage

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than \$0.10	20	30	33	3	27	4	13
\$0.10-\$0.14	22	27	23	7	20	13	40
\$0.15-\$0.22	10	30	19	7	20	10	13
\$0.23-\$0.30	9	7	10	20	13	3	3
\$0.31-\$0.75	11	3	7	27	10	3	13
\$0.76-\$1.00	5	3	3	17	3	—	3
\$1.01-\$2.00	3	—	—	13	—	3	3
More than \$2.00	3	—	7	—	3	3	7
Don't have interior signage	—	—	—	3	—	7	—
Don't know/no answer	4	—	3	3	3	10	3
(MEAN)	(\$0.37)	(\$0.18)	(\$0.30)	(\$0.66)	(\$0.31)	(\$0.27)	(\$0.44)

Source: Chain Store Age Executive research

Lifespan for interior signage

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	23	13	37	13	47	50	13
6-10 years	52	63	57	70	17	30	77
11-15 years	2	3	3	3	—	—	—
16-20 years	3	3	3	7	—	—	3
21-25 years	1	—	—	3	—	—	—
26 years or more	1	3	—	—	—	—	—
Life time/permanent/don't replace	1	—	—	—	—	—	3
As needed/required	8	7	—	—	33	10	—
Mail or outside supplier handles	1	3	—	—	—	—	—
Don't have it/don't use it	2	—	—	3	—	7	—
Don't know/can't estimate	2	3	—	—	3	—	3
(MEAN NUMBER OF YEARS)	(7.7)	(10.0)	(8.2)	(9.4)	(4.9)	(5.4)	(7.9)

Source: Chain Store Age Executive research

mounted plastic letters to identify departments, such as cosmetics, says Tom Heifner, vp. Then it suspends directories over each aisle with a product listing. Periodically it uses paper signs for special prices or promotions, adds Heifner.

Philadelphia-based Silo Stores is experimenting with the use of signs in its new prototypes (see story this issue). In its first modified Concept Store in Burlington, N.J., it eliminated signs reading "Television" or "Audio" over those departments because the merchandise was too obvious. But in a subsequent prototype in Turnersville, N.J., it put the signs back to help the customers find each department. But where, in the first store, Silo hung huge fabric banners with the word "Silo" on them, it removed them in the second store and used large signs featuring the names of national brands being sold.

Supermarkets are also making particularly effective use of signs to provide information to their customers, says Segretti, adding that they label everything. Most supermarkets place signs on every aisle, locating the product categories. There are also signs telling about promotions and specials.

One chain that has gone all out in providing product information on its signs is General Nutrition Centers (GNC). A. M. Carley, director of construction, says GNC uses pictorial presentations in much of its signage, as well as color coding and printed messages to tell the customers where to find specific products and what the ingredients are in these products.

Many of the GNC overhead signs are assigned specific colors and a description of the ingredients of the packages with the same colors. Thus, if a sign is green and says Vitamin C, all green packages on the shelves below the sign contain Vitamin C.

Signs on the fixtures tell the customer exactly what to expect in that particular selection, such as "No Caffeine," "High Fiber," "Skinny Munchies," "Rapid Weight Gain," "No Sugar Added" and "Low Sodium."

The use of photomurals, whether they be transparencies or just blow-ups of regular photographs, is one of the biggest growth areas in retail interior signage.

In color transparencies, suppliers to the retail industry include Eastman Kodak's photography division with its Duratrans, and Ilford Photo, a division of Ciba-Geigy, with its Ci-

bachrome II. Both companies provide backlit transparencies to Sears, Roebuck Stores of the Future as well as Giorgio apparel and fragrances.

The particular transparencies used by Kids "R" Us are Cibachrome.

Jack Belcher, manager, exhibit and retail display markets, Ilford, explains how the Cibachrome process works. A retailer hires a professional photographer to take photos of customized settings and products that the visual merchandise team and its art directors have created.

The film is taken to a professional color lab for processing. The negative is then put into an enlarger which projects the image to a transparency. In the case of Ilford, it would produce a Cibachrome display transparency or print. Cibachrome employs a unique dye processor which prevents fading. Once the transparency or print is made, it can be rolled into a tube and shipped inexpensively to any store or location.

White Graphics has a selection of photomurals designed for supermarkets, including high-impact photo images for up to 18 different categories, including meats, dairy products, beverages, seafood, deli items and florals. ■

ROOFING: THE DEBATE GOES ON

EXPERTS WEIGH ADVANTAGES OF BUR, SINGLE-PLY



BURKELINE SYSTEM: FAVORED BY SOME RETAILERS FOR EASE OF INSTALLATION

Despite all of the interest shown in other roofing alternatives during the past few years, built-up roofs (BURs) are still being used most often, according to both industry experts and research recently conducted by *Chain Store Age Executive* (see accompanying charts).

However, opinions vary sharply as to whether or not this will be the case

in the future. "In my opinion, over the last couple years, the pendulum has been swinging toward single-ply roofing materials. But, my personal experience shows me that we will be seeing that pendulum swing back toward the BURs in 1987," predicts Gregory Hayden, president of Hayden Roofing, a Sloatsburg, N.Y.-based roofing contracting company.

Conversely, Richard Boon, senior engineer for Indianapolis-based Firestone Building Products, says, "I do a lot of work with retailers and for the most part, we are seeing the major ones switching to single-ply materials."

He points out that K mart, for example, switched from a traditional BUR in one of its locations in Venice, Fla., to a Firestone-ballasted EPDM (ethylene propylene diene monomer) system after a tornado destroyed the store's 80,000-sq.-ft. roof.

"We got a call from the folks at K mart and when we arrived at the site, the entire BUR had been raised 4 ft. off of the roof deck and had slammed back down. In addition, 10,000 sq. ft. of the roof deck was missing," recalls Bob Carnes, vp for Tampa-based General Roofing Industries.

Management's biggest concern "was to try to get the building under cover to insure that no more damage would occur to the \$11 million worth of store inventory," he adds.

According to Carnes, the fastest and most cost-effective roof system (about \$1.50 per square foot including installation) was the Firestone

Lifespan for roofing

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %
5 years or less	3	7	7	—	—	3
6-10 years	11	10	13	7	13	13
11-15 years	29	40	30	23	27	27
16-20 years	37	27	32	47	47	37
21-25 years	10	10	8	17	7	10
30 years or more	2	3	—	—	3	3
Lifes time/permanent/don't replace	4	—	13	7	—	—
Don't know/no answer	1	—	3	—	—	—
(MEAN NUMBER OF YEARS)	(10.9)	(15.0)	(15.0)	(10.7)	(17.2)	(17.1)

Source: Chain Store Age Executive research

EPDM. "We put 90 men on the job Wednesday morning and we had the store open for business the following Monday," he explains.

As for the future of single-ply systems, Carnes takes a middle-of-the-road view. "I think that we are going to see single-ply increasing a little bit more although it will never take the place of the BURs. But these systems are not going to go away like many people had predicted."

Chain Store Age Executive's research shows that in 1985 BURs were used by 46% of the survey partici-

pants, with 38% using single-ply membranes. In 1986, 52% of the participants in the survey used BURs; 49% used single-ply roofing materials.

According to Boon, there are two reasons for the increase in single-ply roof jobs. "First, there is a value reason. I believe retailers find that the traditional BURs don't last as long as the single-plys. BURs have always been competitively priced, but single-ply is also competitively priced. Second, the life expectancy in general of the single-ply is longer," he

maintains.

One of the most common uses for the single-ply material has been for reroofing jobs. "By putting the new roof on top of the old one, it reduces the risk of water damage to the inside of the building," says Boon.

Eliminating the leakage problems was something that caused Harold Pennock, architect for Town and Country, a Palo Alto, Calif.-based shopping mall, to choose a single-ply material for a recent reroof project.

He explains, "We installed the Burkeline mechanically-fastened roofing system on some of the center's buildings to eliminate leaks. We have found that the Hypalon material in the Burkeline system is much better than the composition that was previously used."

Because the Burkeline system consists of a Hypalon material, Steve Rhodes, field manager for San Jose-based Burke Industries, (manufacturers of the Burkeline system) says that it has some advantages over other single-ply materials.

For example, although the single-ply membrane as a whole is superior to the other types of roofing materials, Hypalon in particular is gaining in popularity because of its ease of installation and the safety involved. In addition, there is the longevity, especially in climates where there are extreme changes in weather, he says.

Because of its high reflectivity, Rhodes says that the Hypalon material is often used in warmer climates. "It has incredible expansion ability. In Dallas, for example, the temperature will often reach 105°F. The black BUR rooftop will exceed 160°F. Once the rain comes and cools the temperature, the roof will experience thermal shock. This means that the roof will go from 160°F to 60°F in a very short amount of time. Roofs are not prepared to take that. Because the Hypalon is white, it will not experience this kind of thermal shock."

Although Hypalon is an alternative for some retailers, the cost of the material is higher than other single-ply materials and BURs. According to Hayden, the cost for a Hypalon system vs. other roofing materials is between 25% to 30% more expensive.

"It cost us more for the Burkeline roof system than it did for the other material, but we feel it will pay for itself very soon. It will resist deteriorating over a period of years. Where we have installed the Burkeline system, we have had no troubles with leaks," reports Pennock. ■

Types of roofing used

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %
BUR	52	50	67	53	33	67
Single-ply membrane	40	60	30	43	60	33
Metal	10	27	3	7	—	33
Fabric	9	27	7	—	—	10
All others	4	10	—	7	—	3
Don't know/no answer	3	—	3	—	3	7

Source: Chain Store Age Executive research

Cost per square foot for roofing

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %
Less than \$0.50	5	3	17	3	—	3
\$0.50-\$1.00	17	20	27	10	—	30
\$1.01-\$2.00	41	30	23	53	60	55
\$2.01-\$3.00	21	33	10	23	33	—
More than \$3.00	7	10	3	10	13	—
Don't know/no answer	6	3	20	—	—	7
(MEAN)	(\$2.40)	(\$2.00)	(\$1.00)	(\$2.00)	(\$3.20)	(\$1.00)

Source: Chain Store Age Executive research

FLOORING CHOICES MAKE AN IMAGE STATEMENT

RETAILERS ARE INVESTING IN QUALITY PRODUCTS TO IMPRESS CUSTOMERS

Carpeting has been a widely accepted flooring material for the Hayward, Calif.-based Mervyn's chain for a number of years. However, one of the problems experienced by Roger Harris, Mervyn's director of store planning, is related to carpet stretching.

"It is a problem that is common to all retailers who use carpeting in their stores," says Harris. "It started happening to us about four years ago and is especially severe in our stores that are located in the south central parts of the U.S. where the humidity is very high."

When carpet stretching occurs, the carpet often buckles and forms ripples so that it becomes dangerous for employees and shoppers.

In addition to being a safety hazard, Harris says, it looks unattractive.

Harris is finding, though, that one

means of preventing this problem is the selection of the carpet backing. For example, he has begun using The Enhancer Plus, a urethane foam carpet backing manufactured by Dalton, Ga.-based Dow Chemical.

One of the advantages of using this product, according to Harris, is that the foam (which also acts as a carpet padding) is adhered to the back of the carpet prior to its arrival at the store. Installation at the store level involves laying the carpet, complete with enhancer, directly to the concrete floor.

In addition to the urethane foam, there is a layer of polyester fleece that lies between the foam padding and the concrete floor. When the retailer chooses to remove the carpet, the fleece lining aids in carpet stripability without the need for extra equipment.

Although some retailers choose to

glue their carpets directly to the floor base to prevent carpet stretching, Harris has opted for The Enhancer Plus because of its ease of installation and removal.

"Some retailers glue the carpet to the floor surface. We've been against this procedure because we remodel our stores on a regular basis, so we did not want to be locked into staying with a specific carpet for any extended period of time. We were afraid that we wouldn't be able to get the carpet up when we wanted to," he says.

According to Harris, the enhancer secures the carpet to eliminate stretching and also makes carpet removal easy without a lot of cost involved.

"Carpet that has been glued to the floor can cost between \$3 and \$4 per square foot to remove. Our cost with the new product is virtually nothing because the carpet can be picked up in large quantities. You don't need to do it in little pieces and then do a lot of scraping to remove the excess carpet," he says.

Although Harris was unable to give his cost for The Enhancer Plus, he says that the initial investment is higher than it would be for conventional padding. In the long run, however, he says that it saves him time and money. Installation time is decreased because carpet that has been treated with The Enhancer Plus can be laid down in larger pieces than if the carpet were to be glued directly to the floor base.

Spending more money on flooring surfaces such as Harris has done is a move that many retailers are making in an attempt to upgrade their stores appearance and to make a better impression on customers.

According to research conducted by *Chain Store Age Executive*, retailers are now spending an average of \$2.10 per square foot for flooring; department stores, though, with their heavy use of carpeting are averaging \$4.20 per square foot. However, the most popular flooring choice in general is still some type of vinyl product. (For more information, see accompanying charts.)

Harris observes, "One of the trends that I see occurring in the industry is that retailers, in general, are becoming aware of flooring and the cost of other things that make up the

Lifespan for flooring

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	12	7	13	7	20	10	1
6-10 years	59	40	77	70	60	33	73
11-15 years	16	27	7	17	10	27	10
16-20 years	6	10	—	3	3	17	—
21-25 years	2	7	—	—	—	3	—
30 years or more	1	3	—	—	—	3	—
Life time/permanent/don't replace	3	7	3	3	—	7	—
Don't know/can't estimate	2	—	—	—	7	—	3
(MEAN NUMBER OF YEARS)	(10.2)	(13.1)	(8.7)	(9.8)	(8.4)	(13.3)	(8.3)

Source: Chain Store Age Executive research

Cost per square foot for flooring

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than \$0.50	6	—	10	3	7	23	7
\$0.50-\$1.00	37	37	53	30	7	53	4
\$1.01-\$2.00	29	47	30	27	29	20	22
\$2.01-\$5.00	14	7	3	27	37	—	13
\$5.01-\$7.50	7	7	3	13	10	—	7
More than \$7.50	4	3	—	—	20	—	—
Don't have/use	1	—	—	—	—	3	—
(MEAN)	(\$2.10)	(\$2.10)	(\$1.30)	(\$2.50)	(\$4.20)	(\$0.80)	(\$1.80)

Source: Chain Store Age Executive research

PHYSICAL SUPPORTS CENSUS

Types of flooring used

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Vinyl	64	73	46	76	76	96	19
Carpet	50	37	53	3	100	17	90
Terrazo	24	17	17	33	87	5	7
Quarry tile	21	23	10	—	70	10	13
Concrete	20	25	—	7	96	27	3
VAT	16	10	—	3	67	13	—
Hardwood	15	3	—	3	77	3	3
Marble	3	—	—	—	17	—	—
All other materials	2	—	3	3	—	—	3

Source: Chain Store Age Executive research

total design package of a store. In the past, we weren't so caring because flooring wasn't a big part of the overall expense. Now the competition is heating up and retailers are looking at ways to curtail costs."

In addition, no longer is it that floors are simply the surfaces that shoppers walk upon; retailers and consumers alike recognize that the choice of flooring material contrib-

utes to the store's image.

In fact, "I think retailers are becoming more conscious of the floor material that they select for their stores because it is the first thing that people see when they walk through the door," says Mike Ham, account manager for Dallas-based American Marazzi, a manufacturer of ceramic tile. "The floor can detract from the image that the retailer is trying to pro-

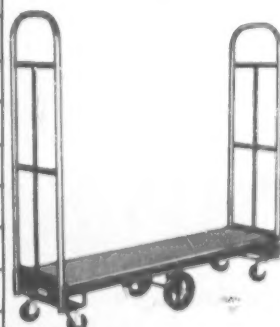
mote if it is not a quality product. The trend is toward specialty retailing so it is important to create a much more upscale look—a finer look."

Ham maintains that one reason why more merchants are opting for ceramic products is because of the esthetics involved. Sometimes this tile is also being used in conjunction with carpet.

A recent introduction to the flooring industry is Marazzi's Nobel Series, which consists of ceramic tiles that are speckled to resemble granite, yet at the same time look monochromatic from a distance. The reason for the speckled effect, according to Ham, is to disguise scuff marks and other scratches that come with heavy foot traffic.

"I think that retailers are looking toward the whites and the monochromatic colors to keep pace with the more contemporary trends in terms of store design. Pastels have been around for years and colors seem to be continuing to get softer. In addition to the light colors, often you will see a white floor tile contrasted with a

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*New Third Location: Los Angeles, CA

black tile or white with some other solid color," he says.

One of the problems described by Gary Cross, marketing manager for Lancaster, Pa.-based Armstrong Resilient Flooring: "Retailers are constantly asking for something different from the traditional vinyl tiles. They want us to give them fresh colors yet still maintain the durability of the vinyl tile products," he says.

In order to meet this growing demand, Cross says that his company has recently developed Stonetex, a vinyl floor tile series similar in composition to Armstrong's traditional vinyl tile, but with a different design pattern. Instead of solid colors, the Stonetex series offers tiles with a speckled appearance, similar to what

Marazzi has created with its Nobel Series.

"The unique aspect about Stonetex is that it is totally different in terms of its appearance. From a distance, each tile looks monochromatic, but when you get up close, it has a salt and pepper appearance," he explains.

One of the inspirations for the design of Stonetex, according to Cross, is a direct relationship to a trend that he sees occurring in the retail industry.

"Retailers are starting to want materials like Stonetex which are variations of the traditional vinyl composition floor tiles. These can give them some custom finish effects. [Merchants] can do a really nice job with basic materials," he says. ■

Maintenance has a lot to do with selection of flooring materials, says George Steinmetz, vp-maintenance and construction, King Kullen Grocery, a Westbury, N.Y.-based supermarket chain. He recommends checking competitors to see how they fare with specific materials as far as maintenance and longevity are concerned.

Terrazzo is a good flooring material even if the cost is high, says Steinmetz. One Florida supermarket chain he knows put in terrazzo, but in its newer stores, it reverted to asbestos tile, which is cheaper but doesn't wear as long.

Steinmetz recommends quarry tile. First, he says, it's easy to maintain. "Just wash it," he says. His maintenance crews use high speed burnishers to give them a high gloss finish.

Ken Zeinemann, manager of maintenance and services, Schultz Sav-O Stores, Sheboygan, Wis., also wants floors that have a high gloss finish, so he recommends composition tile. The customer, he explains, expects the high gloss ("she sees it in discount stores all the time") and his chain is equipped with high speed burnishers (2,000 rpm) to give the floors that gloss.

But this high gloss look isn't restricted to supermarkets. Woodward & Lothrop's Nealis says design and appearance are top considerations in selecting flooring. The chain uses a diversity of materials, including marble, vinyl tile and wood, as well as carpeting.

"We recently bought all high speed burnishers to replace our regular buffers for maintaining floors," says Nealis. The buffers are slow, whereas the high speed burnishers are four times their speed.

Bi-Lo, a Mauldin, S.C.-based supermarket chain, uses vinyl asbestos tile (VAT) throughout its stores except in the produce section, says Carol Sullivan, equipment buyer. In that one area, it uses Milliken carpet squares. There are two reasons for the carpet, says Sullivan: for an upscale look and as a safety factor against slipping and falling.

While it looks nice, carpeting isn't all that easy to maintain, he says. If you put down a dry capture product while the carpet is wet and brush it in, it will cake. The way to avoid this is to use a wet vacuum substance. On the positive side, the individual squares can be picked up and replaced easily if problems arise in one particular

FLOOR CARE COMES FIRST SELECTION CRITERIA: COST ISN'T EVERYTHING



FLOOR CARE: SOME CHAINS OFFER INCENTIVES TO MAINTAIN A HIGH GLOSS

Cost is an important consideration in selecting flooring in retail stores, but it's far from being the major factor.

Rather, say maintenance and service managers, ease-of-maintenance, safety, appearance, durability and design come before the dollar signs. Cost is an important consideration, says M. L. Nealis, vp-construction and maintenance of Washington,

D.C.-based Woodward & Lothrop, department store chain, but the most important factor is design.

"We will reject some flooring material if it is too expensive," he says, "but design and maintenance usually come first."

"We have just resurfaced some 15,000 sq. ft. to 20,000 sq. ft. with marble, but the price came within our budget."

PHYSICAL SUPPORTS CENSUS

Cost per square foot for flooring maintenance

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %
Less than \$0.10	22	27	20	10	13	40
\$0.10-\$0.14	9	23	3	3	3	10
\$0.15-\$0.25	21	27	33	10	27	10
\$0.26-\$0.50	14	13	23	7	13	13
\$0.51-\$0.75	11	—	3	27	23	—
\$0.76-\$1.00	8	7	7	23	3	—
\$1.01-\$2.00	3	—	3	7	3	—
More than \$2.00	3	3	7	—	7	—
Don't know/ no answer	7	—	—	10	7	20
(MEAN)	(\$0.42)	(\$0.29)	(\$0.47)	(\$0.61)	(\$0.54)	(\$0.14)

Source: Chain Store Age Executive research

Lifespan for flooring maintenance equipment

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %
5 years or less	44	23	67	67	33	30
6-10 years	11	20	7	10	7	13
11-15 years	3	10	—	—	3	3
16-20 years	1	—	—	—	—	3
21-25 years	—	—	—	—	—	—
26 years or more	—	—	—	—	—	—
Life time/permanent/ don't replace	3	—	7	3	—	7
As needed/required	1	7	—	—	—	—
Mail or outside supplier handles	25	33	20	7	57	10
Don't have it/don't use it	8	3	—	7	—	30
Don't know/can't estimate	2	3	—	7	—	3
(MEAN NUMBER OF YEARS)	(5.1)	(7.9)	(3.7)	(3.1)	(6.0)	(6.6)

Source: Chain Store Age Executive research

spot.

Supermarkets have a special maintenance problem wherever there is a chance of water getting under the flooring, especially under refrigeration and frozen food cases.

In recommending quarry tile for his chain's floors, King Kullen's Steinmetz says that when the tile is set in concrete, it is almost impossible for water to get underneath it. These are the areas where it is generally used. "We don't need it [quarry tile] in the general or aisle areas," he says.

The problem with asphalt tile is that water can seep under it easily and its lifespan is too short, adds Steinmetz. "We've noticed that around the checkout counters, it's worn through because of heavy traffic."

With quarry tile, a chain pays a little more up front than for asphalt tile, says Steinmetz, but the chain has to evaluate maintenance and lifespan. What does it cost to maintain? he asks.

There is a drawback with quarry tile, he says. "How do you match it if—10 years later—you want to chop it up and match it with the remaining quarry tile?"

Bi-Lo's Sullivan says that his chain rarely has problems with water under the tiles, mostly because when they're installed, they're put on a good base.

In maintaining the VAT floors, Sullivan says, the maintenance crew first uses automatic scrubbers. Then they use 1,000 rpm electric buffers to put

on a gloss.

Schultz Sav-O's Zeinemann says his company has looked at terrazzo and vinyl tile, but it sticks with composition tile. The vinyl is too soft for a supermarket floor, he says.

He admits, however, that unless the composition tile is installed over an empty floor, there may be water problems from humidity or leakage. If an existing case is raised and the composition tile is just slid underneath, water can get under the tile and lift it. However, if the company starts from scratch and seals it as it lays it down and then places the cases on top of it, rarely is there a problem, says Zeinemann.

Schultz Sav-O has worked out a program with Johnson Wax for maintenance of the supermarket floors on a regular basis. In the program, maintenance workers are given incentives to keep a high gloss on the floors. A competition is maintained from Dec. 15 through March 15, the worst months of the year as far as weather and dragging in slush are concerned.

Vice presidents from the chain visit the stores during that period and evaluate the floors from a maintenance angle, says Zeinemann. The inspections are also carried out during the remainder of the year, he says, but not with the same intensity.

Results have been quite favorable, he says. He points out that a store can't let a day go by without buffing the floors. If someone is out ill, someone else has to do the job that day.

Another proponent of daily maintenance is Woodward & Lothrop's Nealis. "If you let it go, there's no catching up," he says. Also, "If you buy a new flooring material, it is important that you get maintenance material and criteria from the supplier," he says.

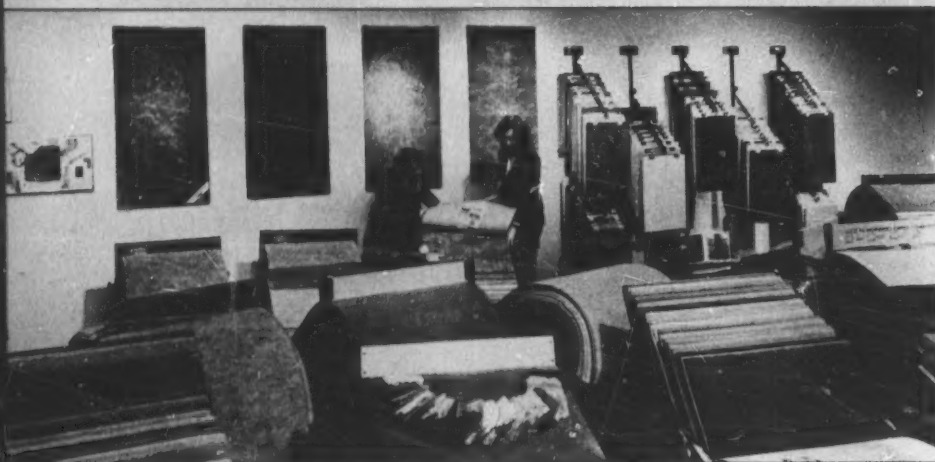
On the subject of durability, Zeinemann says that composition tile will stand up under great pressure. It can take 3,500 lb. of weight and have a lifespan of 15 years. Vinyl tile, he says, won't last that long.

But even composition tile has its limits in certain areas, such as the checkout area of supermarket, says Zeinemann. Because of customer traffic and bag boys/girls, the composition tile will last only about one-third of the regular life of the tile in other areas of the store, or about five years, rather than 15 years, he says.

Nealis ends with a warning: Don't put too much floor finishing materials down. "You have to strip it away periodically and reseal the floor." ■

RELAMPING PLAN KEEPS MERCHANDISE INDOORS

CONTEMPORARY CARPETS SHINES NEW LIGHTS ON ITS PRODUCT DISPLAY



CONTEMPORARY CARPETS: CUSTOMERS SEE MERCHANDISE IN ITS TRUE COLORS

A common sight for the employees of St. Louis-based Contemporary Carpets was shoppers taking carpet swatches outside into the natural sunlight in order to determine the true color of the product.

"People like to bring in fabric samples to match up with the carpeting. They would actually pick up the carpet samples and take them outside to match colors more accurately," explains Carol Arechederra, president of Lighting Design Consultants, a St. Louis-based company that devised a relamping program for the store.

For this project, she selected General Electric's fluorescent SP 30 lamps which provide the shopper with truer color rendition. Prior to the new fluorescent lamps, Arechederra says the store was illuminated

with a number of 2x4 recessed fluorescent tubes. "The old lighting program created poor color rendering for the vivid [hues] of the carpet samples," she says.

In addition to the new fluorescent lamps, she chose GE's 90 watt PAR halogen Performance Plus bulbs for the existing track fixtures. Previously these housed blue ER lamps.

According to Frank LaGiusa, senior lighting specialist for Cleveland-based General Electric, "The Performance Plus lamps are a little whiter and give off more light. It is a no-lose situation," he says.

Low Felberbaum, president of Contemporary Carpets, says that the cost to relamp the store was about \$1,000.

"The old lighting system presented

us with a problem that we didn't know we had. The new lamps have cut down on customers' tearing up our displays in order to take the carpets to the windows, and it saves us a lot of time too," he reports.

Felberbaum's experience with relamping his store to create a more accurate representation of his merchandise is something that Arechederra says is happening frequently throughout the retail industry.

"The major trend I see is that [retailers] have become more aware of lighting and how it affects their merchandising. Instead of a single

system, they are going to several different types of lamps for different effects and moods. They are also using better color rendering lamps and doing more with accent lighting," she says.

According to research conducted by *Chain Store Age Executive*, retailers on average are spending 77¢ per square foot for their interior lighting needs. However, department stores participating in this survey report spending a whopping \$1.41 per square foot (see chart).

At Buffalo, N.Y.-based Adam-Medrum-Anderson, a 10-unit department store chain, John Ditch, director of operations, has recently rethought the chain's entire lighting program.

"Retailers are paying attention to the way in which their stores are illuminated, particularly when it comes to color rendition. People hate like hell to buy something blue and take it home only to find out that it is really purple," he explains.

In the chain's flagship unit, Ditch says that the new lighting program consists of Sylvania Super Saver Plus bulbs manufactured by Danvers, Mass.-based GTE Products.

"These offer us a high color rendering and allow our merchandise to stand out better. In addition, the life expectancy of each bulb is about 26,000 hours, which is more time than with our old system," says Ditch.

In the chain's most recently built units, Ditch says that he chose to im-

Cost per square foot for interior lighting

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than \$0.10	11	23	23	7	3	3	7
\$0.10-\$0.14	16	23	13	10	7	13	43
\$0.15-\$0.25	12	25	17	3	7	10	15
\$0.26-\$0.50	41	20	17	13	10	17	7
\$0.51-\$0.75	7	—	7	20	3	13	—
\$0.76-\$1.00	7	—	10	17	3	7	7
\$1.01-\$2.00	13	10	10	13	33	3	7
More than \$2.00	13	3	3	13	30	17	13
Don't know/ no answer	4	—	—	3	3	13	3
(MEAN)	(\$0.77)	(\$0.30)	(\$0.40)	(\$0.91)	(\$1.41)	(\$0.85)	(\$0.65)

Sources: Chain Store Age Executive research

Lifespan for interior lighting

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	10	17	30	13	13	23	17
6-10 years	45	43	37	60	33	23	73
11-15 years	13	10	27	7	13	17	3
16-20 years	8	13	3	10	13	10	—
21-25 years	1	—	—	—	—	7	—
30 years or more	2	3	—	—	3	3	—
Life time/permanent/don't replace	4	3	—	7	3	7	3
As needed/required	4	7	—	3	7	7	—
Don't know/can't estimate	3	3	—	—	13	—	3
(MEAN NUMBER OF YEARS)	(10.2)	(11.5)	(9.1)	(9.6)	(12.3)	(11.9)	(7.7)

Sources: Chain Store Age Executive research



LIGHTING AWARENESS: USING VARIOUS LAMPS FOR DIFFERENT EFFECTS

plement GTE's Octron fluorescent bulbs. "In these units, we were interested in reducing the number of fixtures and in turn the number of bulbs. The Octron lamps permit us to do this without cutting back on the amount of illumination in the stores," he explains.

According to David Krailo, manager of fluorescent products for GTE, the Octron series produces a 24% savings in energy costs without any loss of lighting output. The Super Saver Plus series gives about a 17% energy savings with a 5% to 7% reduction in light output.

In addition to changing the fluorescent tubes, Ditch also switched from a cool white lamp to GTE's Designer Series D30, a warm white lamp.

"I think that there is a trend in the industry toward the warmer lamps.

They have the ability to render colors more effectively, yet allow for high energy efficiency," says Krailo.

Ditch is unable to give the cost for the relamping project, but he says that the payback period has been about 18 months for the entire chain.

"The difference in the stores is absolutely amazing. There is a level of brightness that wasn't there before and we also are experiencing a significant energy savings," he says.

Meanwhile, shoppers at Dominick's Finer Foods may not realize it, but the Chicago-based retailer has reduced the number of lights illuminating two of its 24-hour units. As a result, it has reduced its annual energy consumption bills by \$22,000 per unit.

The company maintains that it's been able to achieve such savings,

without any significant decreases in the overall level of illumination, as a direct result of installing Silverlux fluorescent reflectors (from 3M) in these two units.

"By using the new system, we have been able to cut back on the energy consumption dramatically. In our River Grove, Ill., store, for example, we were able to reduce the bills by \$2,000 a month," says Charles Burgess, electrical engineer for Dominick's. (Prior to the July 1986 installation of Silverlux, the unit's average annual energy bill was \$205,000; it is currently averaging approximately \$180,000 annually.)

Burgess explains that by using these reflectors, he has been able to remove two fluorescent lamps and one ballast from each fixture. Burgess now relies on the reflective material to maintain an illumination of 80 foot-candles in each store. This is about the same number of footcandles that was given off prior to the new installation, he explains.

Previously, "We were using surface-mounted fixtures and recessed fluorescent lamps [each fixture contained four lamps]. The reflecting medium was the white paint that served as a backdrop for the fluorescent tubes," says Burgess.

With the 3M reflectors, "We have essentially cut the number of fluorescent tubes and ballasts in half, and we do not need to buy nearly as many replacement units as before," he says.

In addition to the light energy savings that come from using the silver film, "We have a savings on our air-conditioning consumption because we don't have the amount of heat generated in the stores that we did in the past," says Burgess.

One of Burgess' concerns, prior to installing the new lighting fixtures, was that the stores would appear to be slightly darker and not highlight the product as well as when the store had more fixtures. This, however, has not been the case. In fact, he says that there is no difference in the appearance of the products in the units.

The cost for the system depends upon the number of reflectors needed and the design criteria for each fixture. The average cost, according to Roger Proch, national sales manager for 3M, ranges between \$55 and \$65 per fixture.

The cost to install the system for Dominick's was about \$22,000 for each of the two units. According to Burgess, the system pays for itself in about 13 months. ■

PRE-COOLING: CUTTING DOWN ON HVAC COSTS

TEST AT MILLERS OUTPOST LOWERS TEMPERATURES AS WELL AS ENERGY BILLS

Lifespan for HVAC

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %
5 years or less	12	7	17	13	18	13
6-10 years	18	27	37	17	—	13
11-15 years	19	17	13	17	13	33
16-20 years	7	33	18	33	37	13
21-25 years	9	3	—	10	20	10
26 years or more	5	—	—	7	7	18
Life time/permanent/don't replace	5	—	17	3	—	3
As needed/replaced	2	7	—	—	—	3
Mail or outside supplier	3	3	7	—	7	—
Don't know/can't estimate	2	3	—	—	7	—
(MEAN NUMBER OF YEARS)	(14.8)	(14.6)	(9.7)	(15.4)	(18.3)	(15.2)

Source: Chain Store Age Executive research

During these hot summer months, maintaining sufficient air-conditioning is a tough task for any retailer or shopping center developer. However, it is particularly difficult for anyone located in the country's desert regions.

For that reason, "We see a great deal of interest in pre-coolers being displayed by people with stores in those areas where energy costs are quite high," observes Paul Reynolds, division sales manager for Research Products Corp., Madison, Wis.

He estimates, for example, that pre-coolers "can save retailers and shopping center owners as much as

20% of their electrical usage costs." However, he adds, "The people who contact us aren't only interested in reducing energy costs, but they also realize that installing our pre-coolers is really a form of preventive maintenance" since they substantially reduce the temperature of the air going into the condenser.

"When Millers Outpost decided to install pre-coolers at a store in the San Fernando Valley, we took the temperature on the roof. At first, it was 108°F. But after we turned on the pre-cooler, the air entering the condenser was down to 89°F. This meant that the head pressure had been re-

duced by about 45 lb. and the electrical load had been reduced by approximately 5 amps."

Based on the savings at the "test" store, Millers Outpost has since installed these pre-coolers at an additional three units "and we have sized another 19," says Reynolds. He adds, "As important as the electrical savings are, by improving the efficiency of air-conditioning systems, pre-coolers can also help retailers maintain the comfort of their customers."

A pre-cooler, attached to the condenser of a mechanical refrigeration or air-conditioning system, works by "pre-cooling" warm outside air that passes over condenser coils.

The basic principle behind the pre-cooler is based on water circulating through a pad. As the water evaporates, the surrounding area is cooled, helping to reduce the cooling load that must be handled by the air-conditioning system, and thereby eliminating excess wear and tear.

The recirculating units found within most pre-coolers consist of a reservoir, pump and float.

Reynolds admits, "In some areas pre-coolers got a bad name because of maintenance problems associated with the recirculation mechanism. Obviously, most air-conditioning contractors stress that for the product to be worth the price, it has to reduce—not add to—maintenance problems, but it sometimes seemed just the opposite was happening."

A new pre-cooler from Research Products works on a different principle. Instead of utilizing a recirculation system, its pulse-setting control allows water to be flushed through the system by single-pass. It also permits time-sequencing water flow based on outside temperatures, thereby reducing the amount of water used by the system.

The advantages, though, of the pre-cooler systems seem to be offsetting many of the past problems, especially as more utility companies begin offering rebates for pre-coolers used at commercial/industrial facilities.

The cost of heating, ventilation and air-conditioning currently averages 84¢ a square foot, going up to as high as \$1.08 per square foot for supermarkets and \$1.06 per square foot for drug stores, according to Chain Store Age Executive research. ■

Cost per square foot for HVAC

	Total %	Discount %	Drug %	Supermarket %	Department %	Home Center %
Less than \$0.10	9	7	10	3	7	17
\$0.10-\$0.14	12	27	18	3	13	7
\$0.15-\$0.25	19	27	27	7	20	13
\$0.26-\$0.50	18	3	7	29	10	10
\$0.51-\$0.75	13	7	3	13	23	17
\$0.76-\$1.00	7	—	7	13	7	7
\$1.01-\$2.00	9	13	3	17	3	7
More than \$2.00	17	7	33	25	13	13
Don't know/no answer	5	10	—	3	3	7
(MEAN)	(\$0.84)	(\$0.97)	(\$1.06)	(\$1.06)	(\$0.71)	(\$0.78)

Source: Chain Store Age Executive research

Chain Store Age **EXECUTIVE**

with Shopping Center Age

The newsmagazine for retail management

August 1987



THE EXEC

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TWENTY FIVE DOLLARS A YEAR USA

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M&As, LBOs AFFECT EXEC 100 LINEUP

This year's scorecard of the Exec 100 reflects major changes in the ownership and organizational structure of America's retail chains. Former major league players, such as Associated Dry Goods (acquired by May Department Stores), have disappeared from this roster which ranks the U.S.'s largest retailers by sales generated in fiscal 1986. 10



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SHOPPING CENTER AGE



SEATTLE MARKET IS DRAWING ATTENTION

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FROM THE EDITOR'S DESK

TAKEOVER MANIA: A STUDY OF THE ABSURD



One formal definition of the adjective "absurd" explains the word as follows: "having no rational or orderly relationship to man's life." The word also describes the situation in June when a false report of an imminent Dayton Hudson takeover bid had Wall Street—and the retail world—spinning.

This is takeover madness at its worst. Interest in mergers and acquisitions has become so intense that it's obliterating the reality of what's actually happening in the business of retailing.

Or, to put it another way, there's less interest in who's running the store than in who might, or might not, be getting ready to buy it.

What's happened already in the retail industry became abundantly clear to all of us at *Chain Store Age Executive* as we began to put together this year's Exec 100. This is a ranking of the 100 largest retail companies in America, based on the volume of sales generated (see page 10).

As an inkling of how they have fared in the past year, No. 3 Safeway has gone private through a leveraged buyout. No. 11 Southland's founding family, the Thompsons, have announced their bid to take the company private. No. 16, Supermarkets General, has already gone the going-private route. No. 18, May Department Stores, has already acquired Associated Dry Goods.

And the list goes on.

I admit that no one in retailing can help but be affected by it all. But I also think that the leaders of some U.S. retail companies are in real danger of becoming too introspective. Executives are devoting so much time simply to keeping track of who owns what, not to mention worrying if their companies may be next. Unfortunately, that doesn't always leave enough time for looking around to see what else is happening.

I'm absolutely convinced that there are, in fact, many other changes occurring throughout the industry. For example, foreign investors are upping their stakes in U.S. companies, including London-based J. Sainsbury's recent purchase of a majority stake in Shaw's Supermarkets. Foreign-based retail companies are preparing to open outlets of their own in the U.S., including Paris-based Carrefour's long-awaited hypermarkets.

Further, the wave of entrepreneurship continues with new and potentially major league players in the retail arena being born almost every week. In addition, some large retailers are experimenting with their own new retail concepts.

For retailers to ignore all that's going on around them—that would be the real definition of absurd.

—Jacquelyn Bivins

M&As, LBOs AFFECT EXEC 100 LINEUP

THIS YEAR'S SCORECARD REFLECTS ROSTER CHANGES OF MANY RETAIL TEAMS

Mergers, acquisitions, leveraged buyouts and just plain fatter batting averages (sales and earnings) have contributed to major changes in the starting lineup of the Exec 100 list of top retailers.

Gone from the 1987 scorecard, for instance, is Associated Dry Goods, which was eliminated from the game when it was acquired by May Department Stores last year. Also, Victory Markets was acquired last September by LNC Industries of Australia, and Zale was bought by Peoples Jewelry of Canada.

Sears, Roebuck, K mart, Safeway, Kroger, American Stores and J. C. Penney held on to the same rankings they had in 1986, but swinging for the fences, Wal-Mart jumped from 11th place to 7th, displacing Federated Department Stores, which dropped a notch to 8th.

May Department Stores, boosted

by its ADG acquisition, moved up from the 18th spot last year to 9th, taking Dayton Hudson's place, which dropped to 11th.

Look closely at this year's roster. It's going to be far different in 1988, thanks largely to the acquisitions and the LBOs that took place during the past 12 months. It will be more difficult to assess the financial acumen of such companies as Safeway, R. H. Macy, Jack Eckerd, Supermarkets General and Revco, which represent just a few of the companies that have taken the going-private route.

Also, Allied Stores will be missing from the 1988 lineup as a result of its

acquisition by Campeau Corp., a Canadian-based real estate firm. Campeau is continuing to sell off Allied's bits and parts, making it a far smaller retailing force (at least in terms of sheer sales numbers).

Although not expected to decrease in size so much that it will fall off the list altogether, Safeway, previously the nation's largest supermarket company, can also be expected to have fallen down a notch or two by the time 1987 ends. In order to cut down on the debt management has incurred through its recent buyout of the chain, various divisions and/or store groups are being sold off.

This should enable Kroger to move up to No. 1 in terms of sales volume among supermarket chains. However, Kroger's own numbers will be down as a result of its divestiture of the SuperRx and Hook Drug operations.

A retailer that appears intent on holding on to its spot is No. 1-ranked



Chains	1986 Sales (millions)	1985 Sales (millions)	1986 Earnings (millions)	1985 Earnings (millions)	1986 Earnings as % of sales	1985 Earnings as % of sales	Return on equity	P/E ratio	Existing units 1986	Units to be added 1987
1. Sears, Roebuck ¹	\$27,074	\$26,552	\$736.0 ²	\$766.0 ²	2.7	2.9	10.8	13	1,047	70
2. K mart	23,812	22,035	582.0	221.2	2.4	1.0	17.4	15	3,782	215
3. Saksway ³	20,311	19,650	(14.3)	231.3	N/A	1.2	N/A	N/A	1,909	N/A
4. Kroger	17,123	15,967	51.5	180.7	0.3	1.1	4.4	61	735	65
5. American Stores	14,021	13,890	144.5	154.5	1.0	1.1	14.9	18	1,498	29
6. J.C. Penney	13,390	12,634	497.0	386.0	3.4	2.8	4.6	16	1,793	78
7. Wal-Mart	11,909	8,451	450.1	327.5	3.8	3.9	35.2	40	1,029	151
8. Federated Dept. Stores	10,512	9,978	287.8	286.6	2.7	2.9	10.7	16	631	19
9. May Dept. Stores	10,328	9,411	381.0	347.0	3.7	3.7	15.6	19	2,766	259
10. Dayton Hudson	9,259	8,255	310.0	283.6	3.4	3.4	13.1	15	475	104
11. Winn-Dixie ⁴	8,225	7,774	116.4	107.9	1.4	1.4	17.2	18	1,262	64
12. Southland ⁵	8,039	8,097	264.0 ²	259.9 ²	3.3	3.2	N/A	9	8,137	N/A
13. A&P	7,835	6,615	95.0	88.3	1.2	1.3	13.3	19	1,200	120
14. F. W. Woolworth	6,501	5,958	214.0	177.0	3.3	3.0	17.7	15	6,309	617
15. Lucky	6,441	6,225	225.9	86.5	3.5	1.4	49.7	6	579	N/A
16. Supermarkets General ³	5,508	4,960	62.7	61.8	1.1	1.2	15.4	N/A	310	30
17. Albertson's	5,380	5,060	100.2	85.1	1.9	1.7	18.0	17	452	33-35
18. Zayre	5,351	4,036	89.0	94.6	1.7	2.3	14.7	17	1,092	124
19. Melville	5,262	4,775	238.3	210.8	4.5	4.4	21.6	16	5,833	343
20. Army/Air Force Exchange	5,187	4,918	228.9	171.0	4.4	3.5	N/A	N/A	5,441	N/A
21. R. H. Macy ^{1,4}	4,653	4,368	205.6	189.3	4.4	4.3	N/A	N/A	87	4
22. Allied Stores ³	4,435	4,135	(119.1)	(135.4)	N/A	N/A	N/A	N/A	697	N/A
23. Montgomery Ward	4,383	5,389	106.0	42.0	2.4	0.8	N/A	N/A	295	N/A
24. Carter Hawley Hale	4,090	3,978	4.2	48.0	0.0	1.2	0.2	47	302	36
25. Stop & Shop	3,872	3,430	38.4	30.3	1.0	0.9	9.2	23	275	18
26. Publix	3,797	3,476	84.3	71.8	2.2	2.1	16.2	N/A	307	35
27. Walgreen ⁴	3,661	3,162	103.1	94.2	2.8	3.0	19.9	23	1,273	100
28. The Limited	3,143	2,387	227.8	145.3	7.2	6.1	38.0	34	2,682	500
29. Von's	3,000	2,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30. Grand Union	2,746	2,612	34.1	20.5	1.2	0.8	N/A	N/A	369	N/A
31. Revco ^{1,4}	2,743	2,396	56.9	38.9	2.1	1.6	13.4	N/A	2,031	N/A
32. Jack Eckerd ³	2,700	2,508	162.8	(8.3)	N/A	N/A	N/A	N/A	1,596	N/A
33. Radio Shack	2,687	2,438	N/A	N/A	N/A	N/A	N/A	N/A	4,863	100
34. Price ³	2,667	1,887	58.9	46.0	2.2	2.4	39.0	34	25	2
35. Wickes ¹	2,656	1,849	116.1 ²	73.1 ²	N/A	N/A	N/A	N/A	565	N/A
36. Giant Food	2,528	2,247	46.5	57.0	1.8	2.5	16.3	7	142	6
37. Service Merchandise	2,527	2,245	(46.9)	10.7	N/A	0.5	N/A	N/A	313	N/A
38. Batus	2,500	2,175	197.0	165.0	N/A	N/A	N/A	N/A	197	N/A
39. Toys 'R' Us	2,445	1,976	152.2	119.8	6.2	6.1	18.8	31	338	75
40. Food Lion	2,407	1,866	61.8	47.6	2.6	2.6	29.8	39	388	N/A
41. Circle K	2,289	2,111	49.4	39.2	2.2	1.9	N/A	18	N/A	N/A
42. Lowe's	2,283	2,073	52.2	59.7	2.3	2.9	11.0	19	300	N/A
43. Super Valu ¹	2,269	1,756	56.8 ²	56.9 ²	2.5	3.2	N/A	24	170	10
44. Best Products	2,142	2,235	(25.6)	2.2	N/A	0.0	N/A	N/A	205	0
45. Merchantile Stores	2,028	1,880	111.1	102.4	5.5	5.4	14.4	13	82	1
46. Ames	1,888	1,513	27.1	40.4	1.4	2.7	7.4	32	463	27
47. Dillard	1,851	1,601	74.5	66.9	4.0	4.2	16.2	20	115	6
48. Rite Aid	1,757	1,564	78.0	62.5	4.4	4.0	N/A	21	1,586	N/A
49. Fred Meyer	1,688	1,584	22.5	19.5	1.3	1.2	15.8	14	93	3
50. Long's	1,635	1,480	38.6	37.7	2.4	2.5	13.3	19	222	12

() Loss

N/A Not available

P/E ratios are based on primary per share earnings as reported by the companies for the most recent four quarters. Extraordinary items generally are excluded.

¹Retail only²Operating earnings, retail³Formerly American Can⁴Company has gone private during last 12 months⁵Fiscal year ended in summer of 1986⁶Acquired in last 12 months

Source: Chain data and Chain Store Age Executive estimates



Chains	1986 Sales (millions)	1985 Sales (millions)	1986 Earnings (millions)	1985 Earnings (millions)	1986 Earnings as % of sales	1985 Earnings as % of sales	Return on equity	P/E† ratio	Existing units 1986	Units to be added 1987
51. Nordstrom	\$ 1,630	\$ 1,302	\$ 72.9	\$ 50.1	4.5	3.8	8.8	38	42	2
52. Peoples	1,630	1,611	(28.3) ¹	41.0 ¹	N/A	N/A	N/A	N/A	802	N/A
53. Thrifty	1,555	1,405	32.0	31.0	2.0	2.2	21.5	N/A	712	70
54. Payless Cashways	1,528	1,390	42.4	38.1	2.8	2.7	12.7	17	181	12
55. Primerica ²	1,380	1,156	110.7 ²	100.2 ²	N/A	N/A	N/A	N/A	541	N/A
56. Hills ³	1,343	1,214	74.1 ²	94.4 ²	N/A	N/A	N/A	N/A	137	12-15
57. U.S. Shoe ¹	1,229	1,092	47.4	84.8	3.9	7.8	N/A	44	1,678	291
58. Rose's	1,199	1,009	24.0	20.3	2.0	2.0	15.0	15	222	N/A
59. Petrie	1,198	1,161	73.7	77.9	6.1	6.8	6.7	20	1,502	N/A
60. Weis	1,101	1,017	65.3	60.1	5.9	5.9	16.8	23	116	N/A
61. Berman's	1,073	987	9.2	7.3	0.8	0.7	26.6	8	83	3
62. Cullum ¹	1,036	1,172	18.1 ²	17.2 ²	1.8	1.5	17.0	19	56	9
63. Bruno's ⁴	1,018	887	30.3	24.6	3.0	2.8	18.3	22	94	15
64. Circuit City	1,011	705	35.3	22.0	3.5	3.1	27.3	23	87	14
65. Home Depot	1,011	701	23.9	8.2	2.3	1.2	18.9	41	60	16
66. Sherwin Williams ¹	1,009	931	91.0 ²	64.3 ²	N/A	N/A	N/A	N/A	1,719	100
67. National Convenience ⁴	950	928	3.6	15.5	0.4	1.7	3.7	N/A	958	60
68. Edison Bros.	904	808	33.9	27.0	3.7	3.3	15.4	13	2,475	100
69. Stater Brothers	891	788	3.7	2.6	0.4	0.3	N/A	N/A	N/A	N/A
70. Big Bear ²	862	828	13.2	15.0	1.5	1.8	18.4	10	90	N/A
71. Western Auto Supply	857	813	9.4	4.8	1.1	0.6	N/A	N/A	1,977	N/A
72. The Gap	848	647	68.1	27.7	8.0	4.3	37.5	36	724	97-102
73. Hannaford Bros. ¹	820	733	N/A	N/A	N/A	N/A	N/A	N/A	102	5
74. Carson Pirie Scott ¹	782	706	33.4 ²	76.6 ³	N/A	N/A	N/A	N/A	341	N/A
75. Marsh Supermarkets	772	719	6.7	6.4	0.9	0.9	13.9	15	244	N/A
76. Costco ⁴	747	366	4.5	(5.7)	0.6	N/A	8.3	N/A	37	5
77. Strawbridge & Clothier	739	687	20.7	24.1	2.8	3.5	1.3	14	35	N/A
78. Perry Drug	694	648	5.9	9.6	0.8	1.4	5.0	N/A	553	29
79. Pueblo International	692	597	6.8	6.6	1.0	1.1	12.7	15	44	4
80. Delchamps ⁴	689	631	8.0	9.6	1.2	1.5	11.5	23	90	7
81. Highland Appliance	656	521	20.2	23.6	3.1	4.5	19.0	N/A	53	18
82. Jamesway	612	523	12.1	9.3	2.0	1.8	12.5	18	100	15
83. Pace Membership	603	275	(1.1)	(7.5)	N/A	N/A	N/A	N/A	25	8
84. Ingles ⁴	591	528	8.6	7.8	1.5	1.5	15.5	N/A	110	N/A
85. Fisher Foods ²	590	495	(1.5)	2.3	N/A	0.5	N/A	11	62	N/A
86. Big V Supermarkets	588	561	6.1	5.7	1.0	1.0	12.2	20	32	1
87. Hechinger	588	479	28.3	23.1	4.8	4.8	15.3	23	62	7
88. Nash Finch ¹	587	542	7.8 ²	5.2 ²	N/A	N/A	17.0	N/A	93	N/A
89. Morse Shoes ³	586	541	9.7	7.2	1.7	1.3	7.2	26	1,310	N/A
90. Hartmarx ²	575	634	(2.8) ²	28.0 ²	N/A	N/A	N/A	N/A	440	N/A
91. Dollar General	565	584	4.3	17.8	0.8	3.1	4.0	55	1,303	N/A
92. Charming Shoppes	521	392	40.5	28.7	7.8	7.3	30.0	35	678	155
93. Alexander's ⁴	520	520	4.1	5.0	0.8	1.0	5.4	17	14	N/A
94. Interco ⁴	498	462	40.6	32.1	N/A	N/A	N/A	N/A	201	N/A
95. Scotty's ⁴	494	453	13.5	17.5	2.7	3.9	8.4	18	130	17
96. Gordon Jewelry ⁴	489	502	13.4	8.5	2.8	1.7	5.3	N/A	659	30
97. Family Dollar ⁴	488	410	30.5	28.0	6.3	6.8	23.7	17	1,107	200
98. Pep Boys	486	389	28.1	21.1	5.6	4.6	16.7	29	177	35
99. Foodarama	472	441	1.7	2.9	0.4	0.7	6.4	11	24	N/A
100. Munford	460	457	1.6	5.5	0.4	3.1	3.1	N/A	1,154	N/A

() Loss

N/A Not available

†P/E ratios are based on primary per share earnings as reported by the companies for the most recent four quarters. Extraordinary items generally are excluded.

¹Retail only²Operating earnings, retail³Company has gone private during last 12 months⁴Fiscal year ended in summer of 1986⁵Acquired in last 12 months⁶Formerly American Can

Source: Chain data and Chain Store Age Executive estimates

Sears, Roebuck. While during the last two years the gap between Sears and K mart has been narrowing, this trend wasn't so evident in 1986. In addition, Sears has purchased the Eye-Care chain of optical stores and indicated that its foray into specialty retailing has just begun.

Meanwhile, changes in ownership and organizational structures have made room on the roster for some new types of companies. For example, three membership warehouse chains are now represented: Price

Club, Costco and Pace. Likewise, among consumer electronics powerhouses, Circuit City and Highland Appliances made the cut.

However, the Exec 100 ranks these retailers only by sales. Other measures of performance include the ratio of earnings-to-sales, return on equity and the price/earnings ratio (the price of the stock on any given day in relation to the earnings per share over the past four quarters).

The highest earnings-to-sales percentages were achieved by two ap-

parel chains. The Gap reported net earnings of \$68.1 million, or \$1.93 a share, on sales of \$848 million, for a ratio of 8%. Charming Shoppes had earnings of \$40.5 million, or 81¢ a share, on sales of \$521 million, for a ratio of 7.8%.

But everything about a retail chain can't be quantified. For instance, how strong are the management teams? What will happen to a chain after it is bought or goes private? Or what happens if it is private and goes public? ■

DIFFERENT BALLPARKS, DIFFERENT WINNERS

DEPENDING ON MEASURING METHODS, PLAYERS SCORE VARIED SUCCESS STATS

What's the best way to judge financial performance? No one has yet to come up with a single answer. Sales, certainly, is a good barometer of success. However, revenues don't tell the whole story.

For example, while Federated Department Stores may still be ranked as the nation's largest department store company (its numbers admittedly beefed up by its ownership of the Ralphs supermarket chain), it is No. 4 when ranked in terms of return-on-equity. Instead, by this measurement, it is Dillard that comes in first, at 16.2%. (Return-on-equity, as measured here, refers to an average of investors total equity at the end of the 1985 and 1986 fiscal years, divided into 1986 earnings.)

Lucky Stores by far outpaced its competition with an ROE of 49% (helped no doubt by the sale last year of its Gemco units to Dayton Hudson's Target division). However, when it comes to how much of the company's sales are showing up on the bottom line (measured here as earnings as a percentage of sales), Lucky came in at only 15, not anywhere close to making the top 10 here. (The chief reason is obvious: the very low profit margins under which Lucky and other supermarket operators make them a breed apart from other categories of retailers when it

Top 10 retailers: Ranked by 1986 earnings as % of sales

The Gap	8.0%
Charming Shoppes	7.8
The Limited	7.2
Family Dollar	6.3
Toys "R" Us	6.2
Petrie Stores	6.1
Weis Markets	5.9
Pop Boys	5.6
Mercantile Stores	5.5
Nordstrom	4.5
Melville	4.5

Source: Chain store data and Chain Store Age Executive estimates

comes to any profits and earnings measurements.)

Conversely, four companies did actually manage to make both top 10 line-ups. These include The Gap (No. 1 on the earnings as a percentage of sales measurement), The Limited and Charming Shoppes. Each has achieved wide recognition for its expertise and efficiency in running the various specialty store businesses. For example, The Gap sold off its be-

Top 10 retailers: Ranked by 1986 ROE

Lucky Stores	49.7%
Price Club	39.0
The Limited	38.0
The Gap	37.5
Wal-Mart	35.2
Charming Shoppes	30.0
Food Lion	29.8
Circuit City	27.3
Borman's	26.6
Family Dollar	23.7

Source: Chain store data and Chain Store Age Executive estimates

leaguered Pottery Barn division and instead is devoting its attentions to a three-prong attack on the marketplace: a complete revamping of all of its The Gap stores; the rapid expansion of its Banana Republic chain; and the launch of its Gap Kids division.

The fourth member of this quartet is Family Dollar Stores which pursues a very different strategy. As numerous other retailers have traded up to go after a more affluent market, Family Dollar has continued to operate and to build additional discount stores appealing to the low- to middle-income consumer.

All this points to the many different strategies that contribute to measurements of success. ■

Top 5 specialty retailers: Ranked by 1986 ROE

The Limited	38.0%
The Gap	37.5
Toys "R" Us	31.0
Charming Shoppes	30.0
Circuit City	27.3

Source: Chain store data and Chain Store Age Executive estimates

Top 10 supermarket retailers: Ranked by 1986 ROE

Lucky Stores	49.7%
Food Lion	29.8
Borman's	26.6
Big Bear	18.4
Bruno's	18.3
Albertsons	18.0
Winn-Dixie	17.2
Cullum	17.0
Weis Markets	16.8
Giant Food	16.3

Source: Chain store data and Chain Store Age Executive estimates

Top 5 department stores: Ranked by 1986 ROE

Dillard	16.2%
May Department Stores	15.6
Mercantile Stores	14.5
Federated Dept. Stores	10.7
Nordstrom	8.8

Source: Chain store data and Chain Store Age Executive estimates

Top 5 discount store chains: Ranked by 1986 ROE

Wal-Mart	35.2%
Family Dollar	23.7
K mart	17.4
Fred Meyer	15.8
Zayre	14.7

Source: Chain store data and Chain Store Age Executive estimates

Top 5 department stores: Ranked by 1986 earnings as % of sales

Mercantile Stores	5.5%
Nordstrom	4.5
R. H. Macy	4.4
Dillard	4.0
May Dept. Stores	3.7

Source: Chain store data and Chain Store Age Executive estimates

Top 5 specialty retailers: Ranked by 1986 earnings as a % of sales

The Gap	8.0%
Charming Shoppes	7.8
The Limited	7.2
Toys "R" Us	6.2
Petrie Stores	6.1

Source: Chain store data and Chain Store Age Executive estimates

TOP RETAILERS LOOK INTO THE FUTURE

LEADING COMPANY EXECUTIVES FORECAST BUSINESS THIS YEAR AND NEXT

How do the leaders of the Exec 100 companies expect their companies to fare throughout the rest of 1987 and on into 1988? What factors do they expect to impact their business? They share their thoughts about these and other questions in the comments that follow.

● **Michael Bozic**, chairman, ceo, Merchandise Group, Sears, Roebuck, Chicago

"I expect the retailing industry to

partment Stores, Cincinnati

"We expect that the rate of growth for general merchandise sales will run 5½% to 6% over last year for 1987; we think it is too early to tell about 1988.

"As for what will have a major impact on retail sales, we think the major factor will be inflation. That means that even though the rate of increase year to year for GAF sales will be pretty much what it was a year ago, a larger component of that increase will

However, for the industry as a whole we look at this year as being a reasonably good year as long as inflation doesn't go up too much."

● **Tom Hairiston**, coo for the Cullum Cos., Dallas

"I think we will soon begin to see a slow, upward movement in the economy in Texas. Already oil prices are up and that has helped us.

"The real estate situation is not so good, though. We are grossly overbuilt in terms of office construction. Real estate won't have a very good year.

"However, we think the second half of this calendar year will be fairly strong for our company. Along with improvements in the Texas economy, we expect that the change in the tax rate will also help our financial results. The old rate was 46% and the new one is 34%; this will have a positive impact on our overall earnings.

"In addition, with the departure of Safeway from our market, we are looking for some nice gains.

"Specifically in terms of our Simon David operation, the original store is doing well and we have two new ones under construction. One is in Austin which will be 52,000 sq. ft. and

we are just beginning construction on a 78,000-sq.-ft. one in Dallas.

"Looking at the supermarket industry as a whole and looking further ahead, I think 1988 will be a good year. The economy on both coasts is good and so is the upper Midwest. But we will still have to struggle through some difficult times in the Southwest."

● **Ronald M. Brill**, senior vp, cfo, Home Depot, Atlanta

"We're optimistic about the balance of this year, based on the improvement in our merchandising techniques. Since the fourth quarter of last year, our sales have been increasing at a strong rate. In the first quarter of this year, store-for-store sales increased 22%, compared with 8% last year. We don't expect it to hold at that rate for the remainder of the year, but sales will be much better than last year.

"These improvements have come even though housing starts or turn-



PACE: 'THIS YEAR'S SALES SHOULD END UP AHEAD OF LAST YEAR'S'

show gains of between 5% and 6% this year over last year. We expect Sears [gains] will match that of the overall industry. At this time, Sears is running slightly behind those gains. In Sears' case we still think we will hit our original estimate for the year."

● **Bill Dombrowski**, director-media relations, Carter Hawley Hale, Los Angeles

"In the department store industry we expect to see 4% comparable store sales gains this year and next. This is a steady trend, and we see little geographic variations in sales.

"Promotion activity is also continuing to decline, as it has been for the past year or so. Instead, more people are emphasizing customer service, part of a long-term strategic plan that was undertaken a couple of years ago.

"Hot merchandise categories currently include domestics, tabletop and housewares, and men's and women's sportswear."

● **Spokesman for Federated De-**

partment Stores, Cincinnati

"In terms of regional or geographic trends, we are hoping that the economic troubles in the Oil Patch are behind us. We think the oil recession has bottomed out and that the oil business is on its way back up.

"We continue to see progress in our upscale department store divisions, which include Bloomingdale's, Bullocks and I. Magnin."

● **Dave Connolly**, vp, treasurer for Boise-based Albertsons

"We are quite optimistic about this year and we are estimating sales to up to around 10% for 1987. We don't like to project earnings.

"We feel that we have good momentum. We intend to open 33 new stores this year and have quite a few on the pipeline for 1988; we'll probably open the same number in 1988.

"As for the industry itself, a number of players have gone through LBOs which has muddled up things.

over haven't increased over a year ago. Interest rates have increased nominally. Inflation has been a moderate 2% to 3% over the past two to three years. But what's happened at Home Depot is that we are learning how to run our business better.

"Another factor is that some of the DIY home improvement competition, such as Mr. HOW, has gone out of business.

"Sales in the first quarter were \$334 million, a 50% increase over sales of \$222.6 million a year earlier. Earnings in the first quarter were \$12.8 million, or 43¢ a share, an increase of 149% over the \$5.1 million, or 20¢ a share, in the same period a year earlier.

● **Henry W. Haimsohn, president, Pace Membership Warehouse, Denver**

"Our sales are on plan for the year, but they are hard to come by. I believe the reason is heightened competition. In Denver, for instance, the grocery competition is becoming quite intense. We also see an increase in intensity [of competition] from oth-

er markets, such as consumer electronics as well as wholesale grocery. This is going to continue to affect our business.

"We are also affected regionally. The farm belt—particularly Iowa—has been affected by the depression. Denver has rebounded somewhat, but unemployment is still high. This year's sales should end up ahead of last year's."

● **Barbara Salavaria, market research analyst, and Bob Miller, vpmchandising, Radio Shack, Fort Worth**

"As for the effects of inflation/recession, the electronics industry seems to be immune. When money is tight, people don't attend movie houses, go to restaurants, etc. To save money they will stay at home and watch their new stereo TV, listen to the new compact disc player, continue to buy tapes, rent movies for the VCR and the like. Electronics are viewed by consumers as staples.

"Radio Shack tends to have less volatile swings than moody consumer electronics marketers because many

of our products are staples. We tend to do well in recessions as well as in boom periods.

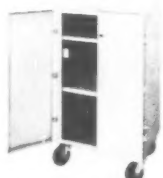
"The industry as a whole, though, suffers from an inability to read the market. The industry has been soft the last few months because of the glut in VCRs. Ten percent of average industry sales are in VCRs.

● **Alex Grass, chairman, president, Rite Aid, Shiremanstown, Pa.**

"The greatest factor affecting the retail business appears to be the rate of inflation or the slow rate of inflation that exists today. It is our belief that the rate of inflation this year will be about the same as last year and consequently will create about the same kind of business climate. That means one in which prices are not rising very rapidly. Consequently it is very important that a business manage its expenses, its cost of doing business, in order to produce a satisfactory bottom line.

"We achieved sales increases last year in the range of 7% to 7½% and we are looking for the same sort of performance this year. ■

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KEEPING LINEUPS UP-TO-DATE IS A CHALLENGE

RETAIL INDUSTRY UPHEAVALS MOVE PLAYERS FROM TEAM TO TEAM

"I've been in this business 17 years, but these days I need a scorecard to keep track of who owns what," was a comment overheard at this May's International Council of Shopping Centers annual convention.

Chances are that many others share this sentiment—with good reason. During the last few years tremendous upheavals have taken place in the retail industry.

Nowhere is the impact of such change more discernible than when looking at the department store industry. It's not enough that R. H. Macy, the nation's fifth largest department store company, went private. Associated Dry Goods, formerly the fourth largest, was scooped up by May Department Stores. Allied Stores, which last year held the No. 6 position, is being dismantled by new owner, Campeau.

Batus, once-powerful player in the department store arena, has sold off so many divisions that it now consists of only Saks Fifth Avenue, Marshall Field, Ivey's and specialty store chains Breuners and Thimbles. Gimbels has disappeared altogether—except for one lone Pittsburgh outpost.

Dillard seems to have benefited most from all of this restructuring. Following its pattern of growth through acquisition, last year the company kept its pocketbook open. From Allied Stores (Campeau) it bought the Joske's, headquartered in Texas, as well as Cain-Sloan, headquartered in Nashville. It also purchased the former Macy's Midwest division.

Dillard hasn't been the only beneficiary of Allied Stores as that compa-

ny has gone on a selling-off spree.

Other Allied moves include:

- Block's, Indianapolis, sold to Federated Department Stores;
- Dey's, Syracuse, sold to May;
- Miller's, with stores in eastern Tennessee, sold to Hess's;
- Miller & Rhoads, Richmond, Va.-based department store chain, sold to an investment group;



FEDERATED'S BULLOCK'S: BUSINESS-AS-USUAL

- Pomeroy's, operating department stores in Pennsylvania, sold to Bon-Ton Stores;
- Bonwit Teller sold to Hooker of Australia;
- Washington, D.C.-based Garfinckel's, sold to Raleigh Stores;
- Plymouth, New York City-based women's apparel chain, sold to Tribeca Holdings.

Further, Allied has merged its Jordan Marsh New England and Read's Connecticut divisions; Jordan Marsh Florida and Maas Bros., headquartered in Tampa, have also been merged into a single division.

Compared to all this, some other department store companies have been relatively quiet—no one more so than low-profile Mercantile Stores.

Although it has recently completed some corporate restructuring, Federated Department Stores is proceeding fairly business-as-usual—one exception being its recent acquisition of the Block's chain from Allied Stores. The stores, in Indiana and Michigan, will operate as part of Cincinnati-based Lazarus.

Carter Hawley Hale has announced plans to split into two separate companies. But the only major move it's made so far is to sell off its Philadelphia-based John Wanamaker division. The buyer was Woodward & Lothrop (CHH has also sold two of its Broadway-Southwest stores in Denver to May, and one to Montgomery Ward). W&L is, in turn, owned by a corporation headed by developer Alfred Taubman.

Developers, in fact, continue to be an important factor in the changing structure of retail ownership. For example, while Campeau's move has made the biggest waves, Australia's Hooker Corp. (represented in the U.S. by its Hooker Barnes real estate development arm) has purchased Bonwit Teller from Allied Stores. Also, one of the partners in Tribeca Holdings, which now owns Lamston's as well as the Plymouth Shops, is Connecticut-based developer Simon Konover.

In the drug store sector, both Jack Eckerd and Revco have gone private within the last year, while SuperRx and Hook Drug, both formerly owned by Kroger, have been spun off and are now combined into a separate operating entity.

In the supermarket field, the biggest news has been Safeway's decision to go private. (Supermarkets General has made waves with a similar decision.) To pay off some of the enormous debt incurred in this leveraged buyout, Safeway has sold its Salt Lake City stores to Detroit-based Borman's, has split up its Dallas division and is in the process of selling its Liquor Barn operation to Majestic Wine Warehouses Ltd., based in London.

Who knows what other moves may be made in the weeks ahead? ■

Chain Store Age **EXECUTIVE**

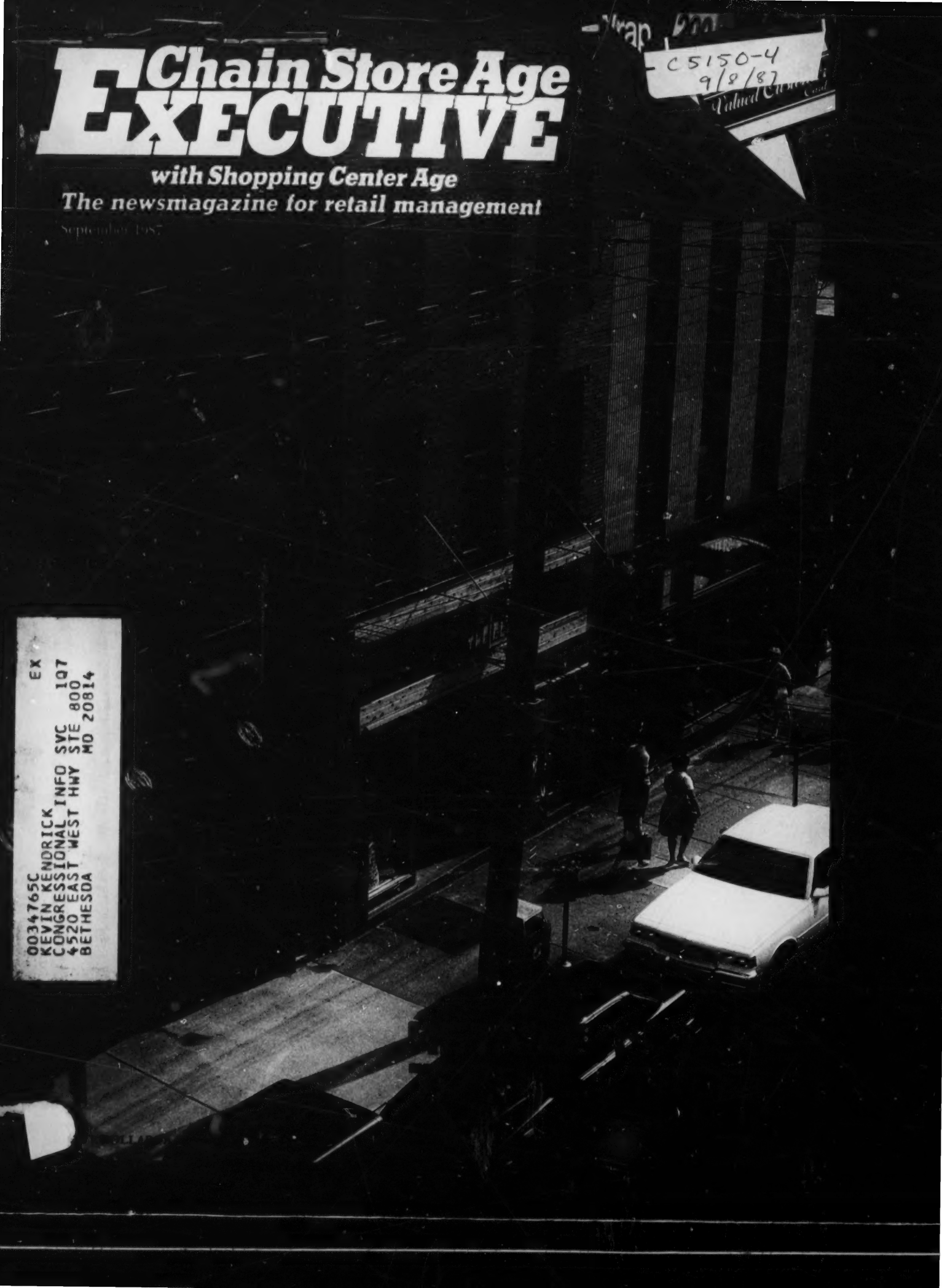
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RETAILERS ARE TAKING TO THE STREETS

Expansion-minded chains are returning to neighborhood streets as they scout out additional store locations. The No. 1 reason is the overall slowdown in the construction of the regional malls that have traditionally been the home of such tenants. The list already includes such retailers as The Talbot's, Carroll Reed Shops and Banana Republic. . . . 19



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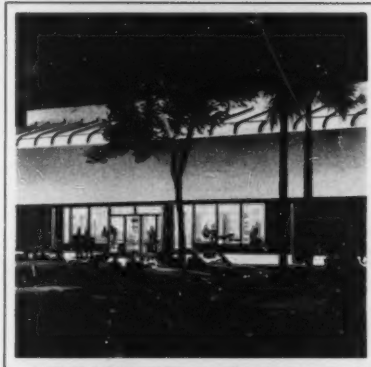
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SHOPPING CENTER AGE



WILL SOUTH FLORIDA SOON DRAW MORE NATIONAL TENANTS?

Dade and Broward Counties form one of the nation's most affluent markets. It's no wonder developers continue to get in on the action. But why haven't more national tenants moved in? Have they been scared off by some of the population segments? Is the situation finally changing? . . . 25

FOREIGN FIRMS INVEST IN U.S. RETAIL CHAINS

NON-U.S. COMPANIES SEE THIS MARKET AS THEIR BEST HOPE FOR EXPANSION

By now everyone is familiar with the proliferation of European retailers in the American market. The Italian-based Benetton operation is managing to put stores on almost every street and in almost every center; more and more often it is finding that the British Laura Ashley chain is one of its neighbors.

Swedish-based IKEA claims that its first two stores (Plymouth Meeting, Pa., and Dale City, Va.) are only

the beginning of its U.S. expansion. France's Carrefour will open its first U.S. stores shortly, as will Printemps.

From Great Britain comes Marks & Spencer, which is planning to open stores under the D'Aillard name. (Rumors abound that it will soon be bringing in full-size units under its own name.) Virgin Records, one of Britain's largest record chains, recently confirmed it is scouting out

New York City locations.

It's no wonder that such moves are what come to mind first when the topic of foreign companies showing up on the U.S. retail scene arises. But their stores are only part of the story. A growing number of foreign-based firms are investing in American chains.

As Gilbert Harrison, head of Financo and a managing director of Shearson Lehman Bros., points out,

Majestic Wine Warehouse Ltd. London, England	Liquor Barn, discount liquor chain formerly owned by Safeway Stores	Stated as new offer in June '87 issue of <i>Acquisition/Divestiture Weekly Report</i>	Sale for undisclosed amount; Majestic Wine Warehouse said it paid "over \$100 million."
Merchant Navy Officer's Pension Fund, England	Tiffany & Co.	Stated as new offer in June '87 issue of <i>Acquisition/Divestiture Weekly Report</i>	According to an SEC filing, the Pension Fund holds 829,500 shares; approximately 6,500 of these were bought at Tiffany's initial public offering for \$23 per share
J. Sainsbury PLC London, England	Shaw's Supermarkets	June '87	First acquired 21% interest in company in Nov. '83 for about \$21 million; plans to gain majority interest by buying 2.55 million shares from Davis family for a total of \$76.5 million; making tender offer for remaining shares, accounting for 51.6% of company; if all shares tendered, total price will be \$184.4 million
Campeau Corp., Toronto, Canada	Allied Stores Corp.	November '86	\$3.664 million buys control of the open market; Allied holders will receive \$69 a share in cash and securities for 47.5% of Allied not already owned by Campeau
Industrial Equity (Pacific) Ltd., Wan Chai, Hong Kong	D.H. Holmes Co. Ltd., department store chain	August '86	Company increased its holdings in D.H. Holmes to 26.8% from 11.2%; additional shares are valued at about \$14.6 million
London & Leeds Corp., subsidiary of Cadbrooke Group PLC, England	Gimbel Bros. stores	June '86	Two Gimbel Bros. stores in Manhattan were sold for more than \$130 million
Dee Corp. PLC, London, England	Herman's Sporting Goods Inc.	April '86	Acquired all outstanding common and preferred stock through a \$35.25 per share cash tender valued at about \$405.4 million; 56% owned previously by W.R. Grace acquired for \$227 million.
PS Associates CV, Netherlands	Zale Corp., chain of jewelry stores	January '87	Company acquired remaining 85.6% of outstanding Zale common stock through a \$50 per share tender offer; subsequent cash merger valued at \$561.7 million
Hooker Corp., Australia	Bonwit Teller	Stated as new offer in May '87 issue of <i>Acquisition/Divestiture Weekly Report</i>	Undisclosed

Source: Quick Facts, Management Horizons, Columbus, Ohio

"For years there has been an awareness of the U.S. and interest in investing here. Foreign firms have been doing this by buying 100% of a company and/or by making a partial investment in a company."

Up until recently, most of these moves have taken place quietly—except, perhaps, for the purchase of a majority interest in Montvale, N.J.-based A&P by West Germany's Tengelmann.

The infusion of foreign monies into the U.S. retail industry has been slow and steady. Now, not only does the rate of investment appear to be speeding up but the deals are also receiving far greater publicity.

A notable example is Australia's Hooker Corp.'s recent purchases of New York-based Bonwit Teller (for a price tag of \$96 million) and Birmingham, Ala.-based Parisian. In late 1986 Hooker also purchased an 80% interest in the California-based Mersamer Jewelers chain.

Also, Britain's J. Sainsbury made headlines when it purchased controlling interest in Shaw's Supermarkets,

the New England-based chain in which it already held a minority interest. (Sainsbury also holds a minority interest in Scotty's home centers, Winter Haven, Fla.)

According to *Acquisitions Monthly*, a U.K. trade publication, British companies have acquired or have agreed to acquire 144 American companies so far this year, with deals valued in excess of \$18.9 billion.

Why the U.S.? Because for many European-based companies, this market appears to offer their best hope for future expansion.

Since new management joined Great Britain's Dee Corp. several years ago, it has been on a virtual buying rampage, scooping up companies right and left. It's moved so rapidly, in fact, that there are few moves left that it can make without violating British law.

So where has it turned? To the U.S. market, of course. It has already purchased the Herman's Sporting Goods chain, and R. K. O'Keefe, head of the firm's U.S. New York-based subsidiary, is making no secret of the fact

that it is actively seeking other retail investment opportunities.

Still, all foreign retailers aren't in agreement about "whether it's better to develop a separate U.S. merchandise strategy or to clone a successful foreign strategy," says Harrison.

While there have been some failures, "most of these occurred because the company in question never should have been acquired by anyone, or because the price was so high that the return levels would never have been adequate."

There are other questions to be answered by the acquiring firm. Should the American management team remain in place or should a new crew be brought in? What similarities, if any, are there between operating a U.S. retail company and one in a foreign market? How many of the same systems and operating methods can be utilized by the two different entities?

No matter how foreign companies decide to answer these questions, one fact appears certain: the influx of their dollars into U.S. retail chains has only just begun. ■

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